



江南集團有限公司
Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1366

GLOBAL OFFERING



Sole Sponsor, Global Coordinator, Bookrunner and Lead Manager

Daiwa
Capital Markets

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.



JIANGNAN GROUP LIMITED

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(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares offered pursuant to the Global Offering	:	384,800,000 Shares comprising 338,600,000 New Shares and 46,200,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	38,480,000 New Shares (subject to re-allocation)
Number of International Placing Shares	:	346,320,000 Shares comprising 300,120,000 New Shares and 46,200,000 Sale Shares (subject to re-allocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$2.05 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%
Nominal value	:	HK\$0.01 each
Stock code	:	1366

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 13 April 2012 and, in any event, not later than Wednesday, 18 April 2012. The Offer Price will be not more than HK\$2.05 and is currently expected to be not less than HK\$1.42 unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.05 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK\$2.05.

The Sole Global Coordinator (for itself and on behalf of the Underwriters), may, with the consent of our Company and the Selling Shareholder, reduce the number of Offer Shares being offered pursuant to the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.42 to HK\$2.05 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on our website at www.jiangnangroup.com and the Stock Exchange's website at www.hkexnews.hk not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or the Offer Price range is so reduced, such applications cannot be subsequently withdrawn. If, for any reason, the Offer Price is not agreed among the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder, the Global Offering (including the Hong Kong Public Offer) will not proceed and lapse immediately.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the paragraph headed "Underwriting arrangements and expenses – Hong Kong Public Offer – Grounds for termination" in the section headed "Underwriting" of this prospectus. It is important that you refer to that paragraph for further details.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law of the US and may not be offered, sold, pledged or transferred within the US or to, or for the account or benefit of US Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act. The Offer Shares are being offered, in the US, only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the US securities Act, and outside the US, in offshore transactions in reliance on Regulation S under the US Securities Act.

10 April 2012

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under

HK eIPO White Form service through the designated
website www.hkeipo.hk⁽⁴⁾11:30 a.m. on Friday,
13 April 2012

Application lists open⁽²⁾11:45 a.m. on Friday,
13 April 2012

Latest time for lodging **WHITE** and **YELLOW**

Application Forms12:00 noon on Friday,
13 April 2012

Latest time to complete payment of **HK eIPO White Form**

applications by effecting internet banking transfers or
PPS payment transfers⁽⁴⁾12:00 noon on Friday,
13 April 2012

Latest time to give **electronic application instructions**

to HKSCC⁽³⁾12:00 noon on Friday,
13 April 2012

Application lists close⁽²⁾12:00 noon on Friday,
13 April 2012

Expected Price Determination Date⁽⁵⁾Friday, 13 April 2012

Announcement of:

- the Offer Price,
- the level of applications in the Hong Kong Public Offer,
- the level of indications of interest in the International Placing, and
- the basis of allotment of Hong Kong Offer Shares

to be published in South China Morning Post (in English)

and Hong Kong Economic Times (in Chinese) and

on the Stock Exchange's website at www.hkexnews.hk

and our website at www.jiangnangroup.com fromThursday, 19 April 2012

Results of allocations in the Hong Kong Public Offer

(with successful applicants' identification document numbers,

where appropriate) to be available through a variety of channels

(see the section headed "How to Apply for the Hong Kong

Offer Shares – Results of allocations") fromThursday, 19 April 2012

Results of allocations in the Hong Kong Public Offer

will be available at www.tricor.com.hk/ipo/result

with a "search by ID" functionThursday, 19 April 2012

EXPECTED TIMETABLE⁽¹⁾

Despatch of Share certificates in respect of wholly or partially successful applications and despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or around⁽⁶⁾⁽⁷⁾⁽⁸⁾⁽⁹⁾ Thursday, 19 April 2012

Dealings in Shares on the Stock Exchange to commence on Friday, 20 April 2012

-
- (1) All times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions of the Hong Kong Public Offer, are set out in the section headed “Structure of the Global Offering” of this prospectus.
 - (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 13 April 2012, the application lists will not open or close on that day. Please refer to the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus.
 - (3) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to apply by giving **electronic application instructions** to HKSCC” in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus.
 - (4) You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. Applicants who apply for the Hong Kong Offer Shares by completing **HK eIPO White Form** should refer to the paragraph headed “How to apply through the HK eIPO White Form service” in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus.
 - (5) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 13 April 2012 and in any event not later than Wednesday, 18 April 2012. If, for any reason, the Offer Price is not agreed between our Company, the Selling Shareholder and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK\$2.05 per Share, applicants must pay the maximum Offer Price of HK\$2.05 per Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus.
 - (6) Share certificates for the Offer Shares are expected to be issued on Thursday, 19 April 2012 but will only become valid certificates of title at 8:00 a.m. on Friday, 20 April 2012 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Global Offering does not become unconditional or either of the Underwriting Agreements is terminated, our Company will make an announcement as soon as possible.
 - (7) e-Refund payment instructions/Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application.

EXPECTED TIMETABLE⁽¹⁾

- (8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer and have indicated in their Application Forms that they wish to collect any refund cheques and Share certificates in person from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited, may do so between 9:00 a.m. to 1:00 p.m. on Thursday, 19 April 2012. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Identification and (where applicable) authorisation documents acceptable to Tricor Investor Services Limited must be produced at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offer may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk, you may collect your Share certificates (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 19 April 2012. If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Thursday, 19 April 2012. If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, refund cheque(s) will be despatched to the address specified in your **HK eIPO White Form** application on or around Thursday, 19 April 2012, by ordinary post and at your own risk.

- (9) Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the paragraph headed "If your application for the Hong Kong Offer Shares is successful (in whole or in part)" in the section headed "How to Apply for the Hong Kong Offer Shares" of this prospectus. e-Refund payment instructions/refund cheques will be despatched in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque.

You should read carefully the sections headed "Underwriting", "How to Apply for the Hong Kong Offer Shares" and "Structure of the Global Offering" of this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Offer Shares, the expected timetable, the effects of bad weather and the despatch of Share certificates and the refund of application monies.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms.

Any information not given or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, Sole Bookrunner and Lead Manager, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is only a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.

OVERVIEW

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

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

We experienced significant growth in our business during the Track Record Period. Our total turnover increased from RMB2,995.0 million in 2009 to RMB3,686.4 million in 2010 and further increased to RMB4,929.9 million in 2011, representing a CAGR of approximately 28.3% for the three-year period ended 31 December 2011. During the three years ended 31 December 2011, our profit for the year was RMB163.6 million, RMB231.8 million and RMB317.4 million, respectively, representing a CAGR of approximately 39.3%. In particular, sales of power cables, our principal products, have recorded continuous growth with turnover of RMB2,139.4 million, RMB2,462.9 million and RMB3,264.7 million, accounting for approximately 71.4%, 66.8% and 66.2% of our total turnover, respectively, during the Track Record Period. We have also steadily improved our profitability during the Track Record Period. For the three years ended 31 December 2011, we recorded gross profit margin of approximately 13.3%, 14.4% and 14.9% and net profit margin of approximately 5.5%, 6.3% and 6.4%, respectively. The increase of our gross profit margin and net profit margin during the Track Record Period reflected (i) the improved gross profit margin of bare wires, as a result

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of increased sales of higher margin bare wires to South Africa and overall improvement in the gross profit margin of power cables from approximately 15.2% in 2010 to approximately 15.9% in 2011, driven by increased sales of copper-based power cables, (ii) our effective measures in managing our key material costs by procuring copper after signing fixed price contracts and setting up price adjustment mechanisms in some contracts, and (iii) our economies of scale and stringent controls on our selling and distribution costs and administrative expenses, as these expenses (as a percentage of our total turnover) decreased from approximately 5.5% to 4.4% and 4.0%, respectively, during the Track Record Period.

Our Customers

China is our primary market. During the Track Record Period, we generated approximately 97.7%, 97.3% and 91.3% of our total turnover from China. South Africa is our second largest market, accounting for approximately 1.9%, 2.6% and 7.6% of our total turnover during the Track Record Period.

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

We also provided our products for many of China's prominent infrastructure projects that require stringent quality assurance for their power supply and transmission systems. In particular, we provided LSZH power cables for the National Olympic Sports Centre (國家奧林匹克體育中心) and six other stadiums for the 2008 Beijing Olympic Games, the BT Subway to the National Stadium (鳥巢BT地鐵支線), the Performance Center for the 2010 Shanghai World Expo (上海世博會演藝中心), the Shanghai World Financial Center (上海環球金融中心), as well as bare wires and aerial conductors for Power Transmission from West to East Project (西電東送工程) and Yunnan to Guangdong $\pm 800\text{kV}$ Direct Current Transmission Project (雲南-廣東 $\pm 800\text{kV}$ 直流輸變電工程), which was the first ultra high voltage power transmission system in China. In addition, our cable products were also used for the No. 5 line of the

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Shenzhen Metro Project (深圳地鐵5號線工程), the No. 7 line of the Shanghai Metro Project (上海地鐵7號線工程), the No. 8 line of the Beijing Metro Project (北京地鐵8號線工程) and high speed railways from Fuzhou to Xiamen (福廈高鐵). Revenue generated from the aforementioned projects accounted for approximately 3.2%, 1.6% and 1.2% of our total turnover, respectively, during the Track Record Period.

In South Africa, a fast growing market for power cables, we are a qualified supplier of Eskom, a state-owned power generation and transmission company in South Africa. We began to supply our products to Eskom in 2007 and we are a SABS certified manufacturer of wires and cables in the PRC that can supply such products to South Africa. During the Track Record Period, revenue generated from Eskom accounted for approximately 1.8%, 2.0% and 6.1% of our total turnover, respectively. In 2011, we also began to supply our products to National Grid USA, a subsidiary of National Grid, a multinational electricity and gas company headquartered in London and with principal businesses in the UK and northeast US. Revenue generated from National Grid USA was approximately RMB19.7 million and accounted for approximately 0.4% of our total turnover for 2011.

We obtain sales orders directly from our customers and through actively participating in the bidding processes of large projects. The combination of our strong brand name and reputation in the industry, high product quality with competitive pricing, ability to deliver large orders under tight project schedules and our successful track record in the industry have contributed to our increase in sales during the Track Record Period through both orders placed directly by our customers and from winning bids. In particular, sales through winning bids accounted for approximately 30.1%, 31.6% and 29.3% of our total turnover during the Track Record Period. Although revenues from winning bids are project-based and non-recurring, our established capabilities and long-term relationships with our customers have helped us in winning projects operated by our customers on a continuous basis. For risks associated with our sales through winning bids, please refer to the paragraph headed “Risks relating to our business” in the section headed “Risk Factors” of this prospectus.

Our Suppliers

We procure our raw materials from suppliers locally in China. Raw materials for our production are primarily copper, aluminium, insulating materials and sheath materials (such as XLPE and PVC). During the Track Record Period, purchases from our top five suppliers (including 11 companies in total) amounted to RMB1,318.4 million, RMB2,495.5 million and RMB3,440.2 million, respectively, representing approximately 58.1%, 77.6% and 78.7% of our total purchases respectively. We maintained business relationships for over four years on average with our top five suppliers during the Track Record Period. They are all private companies located in China and are engaged in the manufacturing and sales of aluminium and copper-based materials. In order to minimise the potential negative effect on our profitability due to raw material price fluctuations, particularly for copper and copper-based materials, we generally procure copper upon receiving orders from customers or set out price adjustment mechanisms based on the price of copper in our contracts, so that the fluctuations of the price of copper are reflected in the prices of our products sold. During the Track Record Period,

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

During the Track Record Period, our annual average purchase price of copper increased from RMB41,800 per tonne in 2009 to RMB59,300 per tonne in 2010 and further increased to RMB68,400 per tonne in 2011, while our annual average purchase price of aluminium increased from RMB12,400 per tonne in 2009 to RMB14,200 per tonne in 2010 and further increased to RMB15,200 per tonne in 2011. Our total cost of copper and aluminium accounted for approximately 79.3%, 79.9% and 78.9% of our total cost of goods sold during the Track Record Period, respectively.

Price fluctuations of our raw materials could affect our results of operations. For details of the risks associated with price fluctuations of our raw materials, please refer to the paragraph headed “Risks relating to our business” in the section headed “Risk Factors” of this prospectus.

During the Track Record Period, certain suppliers, including some of our top five suppliers, provided guarantees for our bank borrowings. The outstanding bank borrowings guaranteed by these suppliers amounted to approximately RMB778.1 million, RMB899.0 million and RMB1,198.0 million, respectively, as at 31 December 2009, 2010 and 2011.

Our Research & Development

Our capabilities in continued innovation and product development are crucial to our success in the industry. Since 2007, we have developed and introduced 35 innovative products, including ACSR wires for ultra high voltage direct current transmission lines of maximum rated voltage of up to $\pm 800\text{kV}$ ($\pm 800\text{kV}$ 超高壓直流輸電線路用鋼芯鋁絞線), supporting bare wire with expanded diameter (支撐型擴徑導線), flame retardant power cable for railways (生態輻照型軌道用阻燃電力電纜) and control, instrument, meter and communication cable for offshore oil platforms (海上石油平台用控制、儀表和通信電纜). As at the Latest Practicable Date, we had obtained 53 patents that are material to our business in the PRC and had submitted another 15 patent applications to the State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局). During the Track Record Period, our sales of such new products accounted for approximately 73.2%, 71.8% and 71.2% of our total turnover, respectively.

We established a research workstation (院士工作站) in conjunction with the China Academy of Engineering (中國工程院) and China Academy of Sciences (中國科學院) in July 2009 as well as a state postdoctoral research workstation (國家級博士後工作站) in August 2010. We have also participated in the drafting and formulating of 29 national industry standards for the manufacturing processes for power cables, wires and cables for electrical equipment and bare wires. In addition, Jiangnan Cable was one of the first seven companies

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in the PRC cable industry that were accredited as a Key High Technology Enterprise under the revised standard of the State Torch Program (國家火炬計劃重點高新技術企業) by the Torch High Technology Industry Development Center, the Ministry of Science and Technology (科學技術部火炬高技術產業開發中心) in December 2010 (with a three years initial validity period).

During the Track Record Period, our research and development expenditures were approximately RMB4.9 million, RMB7.4 million and RMB9.9 million, respectively, representing approximately 0.16%, 0.20% and 0.20% of our total turnover, respectively.

Key Operational Data

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

	Year ended 31 December					
	2009		2010		2011	
	Annual Production Capacity ⁽¹⁾	Approximate Utilisation Rate ⁽²⁾	Annual Production Capacity ⁽¹⁾	Approximate Utilisation Rate ⁽²⁾	Annual Production Capacity ⁽¹⁾	Approximate Utilisation Rate ⁽²⁾
Power cables ⁽³⁾	36,000 km	79.4%	36,000 km	86.7%	60,000 km	77.2%
Wires and cables for electrical equipment ⁽⁴⁾	535,000 km	53.5%	535,000 km	77.3%	540,000 km	85.3%
Bare wires ⁽⁵⁾⁽⁶⁾	46,800 tonnes/ 72,230 km	48.8%	50,000 tonnes/ 77,169 km	73.2%	50,000 tonnes/ 77,169 km	62.2%

Notes:

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

SUMMARY

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

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

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

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

Our Future Plans and Prospects

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

In view of the potential growth for ultra high voltage cables, in addition to a production facility for high and ultra high voltage cables with rated voltage of 220-500kV with an estimated annual production capacity of approximately 1,000 km that commenced commercial production in October 2011, we will further invest approximately RMB173.0 million to build three additional production lines for high and ultra high voltage cables with rated voltage of 220-500kV, of which approximately RMB145.8 million would be from the net proceeds from the New Issue.

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

SUMMARY

costs and shorten delivery time, allowing us to benefit from the favourable growth trends in South Africa and its surrounding markets.

In view of the increasing demand for aluminium-based power cables, bare wires and double capacity conductors (a type of bare wire), we intend to invest approximately RMB160.0 million to build a production facility for aluminium alloy materials in Yixing with an annual capacity of 70,000 tonnes and a production facility for double capacity conductors with an annual capacity of 30,000 tonnes, of which approximately RMB114.2 million would be from the net proceeds from the New Issue. The construction of this production facility is expected to commence in the second half of 2012 and the commercial production is expected to commence in the first half of 2013.

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

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

SUMMARY

The successful implementation of the above expansion plans is subject to various economic and market conditions. Please refer to the section headed “Risk Factors” of this prospectus for more details on potential risks associated with our expansion plan.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

- We are a market leader in China with a solid customer base;
- We have a strong brand in the industry;
- We have strong research and development capabilities;
- We provide a comprehensive range of products to meet our customers’ specific needs and maintain customer loyalty;
- We are an experienced manufacturer with large scale operations;
- We have a successful track record of entering into overseas markets; and
- We have an experienced management team.

OUR BUSINESS STRATEGIES

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

- Continue to expand our product offerings to meet our customers’ needs, especially in the higher-growth and higher-margin product categories;
- Increase our market share in the PRC during industry consolidation;
- Develop selected overseas markets with growth potential;
- Strengthen our research and development capabilities in new product development and low-cost manufacturing; and
- Explore strategic opportunities.

SUMMARY

SUMMARY OF TRACK RECORD PERIOD

The following table sets out a summary of our audited combined results and financial positions during the Track Record Period which has been prepared in accordance with HKFRS issued by the HKICPA. This summary should be read in conjunction with the Accountants' Report as set out in Appendix I to this prospectus.

Combined Statements of Comprehensive Income

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

SUMMARY

Combined Statements of Financial Position

	At 31 December		
	2009	2010	2011
	(RMB in thousands)		
Current assets	2,163,324	2,661,182	3,773,360
Current liabilities	(1,929,375)	(2,102,216)	(2,977,837)
Net current assets	233,949	558,966	795,523
Non-current assets	346,604	408,397	411,993
Non-current liabilities	(5,933)	(91,630)	(25,505)
	340,671	316,767	386,488
Net assets	574,620	875,733	1,182,011

Breakdown of Our Turnover

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

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

SUMMARY

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

- **Power cables.** The increase in turnover from 2009 to 2010 was principally due to the increase in the average sales price of our products while the sales volume remained stable. The increase in turnover from 2010 to 2011 was principally due to the increase in the sales volume of power cables as a result of increase in sales to certain industry leaders.
- **Wires and cables for electrical equipment.** The increase in turnover of wires and cables for electrical equipment from 2009 to 2011 was mainly due to the increase in sales volume as a result of rapid recovery of the PRC economy.
- **Bare wires.** The decrease in turnover of bare wires from 2009 to 2010 was mainly due to a decrease in sales volume. The increase in turnover of bare wires from 2010 to 2011 was mainly due to an increase in sales volume as a result of increase in sales to Eskom.

Sustained Growth Through Volatile Global and PRC Economic Environment

During the Track Record Period, we experienced global financial crisis, the Euro Zone sovereign debt crisis and the slowdown of economic growth globally and in China. Although we have managed to endure these unfavourable economic conditions with positive growth in sales and net profit during the Track Record Period, it is difficult to predict how long the current unfavourable conditions will continue and their potential impact on our future operations.

Certain Non-compliant Bill Financing Activities

For the year ended 31 December 2009 and the eleven months ended 30 November 2010, Jiangnan Cable and some of its suppliers entered into certain non-compliant bill financing transactions with certain PRC commercial banks. As a result of these bill financing arrangements, Jiangnan Cable instructed the relevant banks to issue certain bank bills to its suppliers in the aggregate amount of approximately RMB1,200.4 million and RMB277.0 million, respectively, and issued commercial bills to its suppliers in the aggregate amount of RMB60.0 million and RMB80.0 million, respectively, during the years ended 31 December 2009 and 2010. We entered into such bill financing activities to lower our overall financial costs and to increase overall interest income on bank deposits. We have ceased entering into any further non-compliant bill financing transactions in November 2010 and have implemented measures to strengthen our internal controls since December 2010. We have settled all related bills in April 2011. For details, please refer to the paragraph headed “Risks relating to our business” in the section headed “Risk Factors” and the paragraph headed “Non-compliant bill financing with suppliers” in the section headed “Business” of this prospectus.

SUMMARY

RECENT DEVELOPMENT

Based on our management accounts, our total turnover for the two months ended 29 February 2012 was approximately RMB485.3 million, which is higher than that for the two months ended 28 February 2011 of approximately RMB427.0 million mainly due to the increase in our overseas sales, including South Africa and Singapore. Our Directors confirm that there has been no material adverse change in our financial position since 31 December 2011 and up to the date of this prospectus. In addition, we expect that we would incur listing expenses of approximately HK\$8.8 million for the year ending 31 December 2012.

GLOBAL OFFERING STATISTICS

	<u>Based on an Offer Price of HK\$1.42</u>	<u>Based on an Offer Price of HK\$2.05</u>
Market capitalisation of our Shares ⁽¹⁾	HK\$2,184.8 million	HK\$3,154.1 million
Unaudited pro forma adjusted combined net tangible assets per Share ⁽²⁾	HK\$1.24 (RMB1.00)	HK\$1.37 (RMB1.11)

Notes:

- (1) The calculation of market capitalisation is based on the assumption that 1,538,600,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering and the Capitalisation Issue but excludes any Shares which may be issued pursuant to the exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information – Unaudited Pro Forma Adjusted Combined Net Tangible Assets” in Appendix II to this prospectus and on the basis that 1,538,600,000 Shares were in issue at the respective Offer Price of HK\$1.42 and HK\$2.05 per Offer Share assuming that the Global Offering and the Capitalisation Issue had been completed on 31 December 2011. This calculation takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

DIVIDEND POLICY

Our Board has the absolute discretion in determining whether to declare any dividend for any period and, if it decides to declare a dividend, the amount of dividend to declare. During the Track Record Period, we did not declare or pay any dividend. We currently intend to pay dividends, of not less than 25% of our profits available for distribution in respect of each of the years ending 31 December 2012 and 2013. Going forward, we will re-evaluate our dividend policy based on our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.74 per Share (being the midpoint of the stated Offer Price range of HK\$1.42 to HK\$2.05 per Share), the net proceeds from the New Issue, after deducting the underwriting fees and estimated expenses borne by us in connection with the Global Offering, are estimated to be approximately HK\$553.8 million.

We intend to apply such net proceeds as follows:

- up to 33%, or approximately HK\$180.0 million, will be used starting from the second half of 2012 to expand our production facilities for high and ultra high voltage cables with rated voltages of 220-500kV;
- up to 16%, or approximately HK\$90.0 million, will be used starting from the second half of 2012 to upgrade and expand our existing production facilities and enhance our research and development capabilities;
- up to 20%, or approximately HK\$109.0 million, will be used starting from the second half of 2012 to set up a manufacturing facility in South Africa to support our expansion in South Africa and its surrounding markets;
- up to 25%, or approximately HK\$141.0 million, will be used starting from the second half of 2012 to set up production facilities for aluminium alloy and double capacity conductors; and
- up to 6%, or approximately HK\$33.8 million, will be used for the potential acquisitions to further expand our market share and leadership through consolidation of upstream businesses or companies with complementary products, technologies and customers. Please refer to the paragraph headed “Explore strategic opportunities” in the section headed “Business” of this prospectus for further details. We had not identified any acquisition target as at the Latest Practicable Date.

In the event that the Offer Price is determined at the high end of the indicative Offer Price range between HK\$1.42 to HK\$2.05 per Share, the net proceeds from the New Issue will be approximately HK\$656.1 million. In such case, the additional net proceeds from the New Issue will be applied towards potential acquisitions. Save for the above changes, there will not be any further changes in the use of net proceeds from the New Issue under such circumstance.

SUMMARY

In the event that the Offer Price is determined at the low end of the indicative Offer Price range between HK\$1.42 to HK\$2.05 per Share, the net proceeds from the New Issue will be approximately HK\$448.1 million. In such case, the net proceeds from the New Issue to be applied towards (i) expansion of our production facilities for high and ultra high voltage cables, (ii) upgrade and expand existing production facilities and enhance research and development capabilities; (iii) set up a manufacturing facility in South Africa; (iv) set up production facilities for aluminium alloy and double capacity conductors and (v) potential acquisitions, will be decreased to approximately HK\$148.0 million, HK\$74.0 million, HK\$97.0 million, HK\$115.0 million, and HK\$14.1 million, respectively. We intend to finance these shortfall, if necessary, by internal resources or bank borrowings. Save for the above changes, there will not be any further changes in the use of net proceeds from the New Issue under such circumstance.

The estimated net proceeds from the Sale Shares to be received by the Selling Shareholder will be approximately HK\$77.6 million (assuming the same midpoint of the stated Offer Price range as stated above), after deducting the underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Global Offering. Our Company will not receive any of the net proceeds from the Sale Shares by the Selling Shareholder.

Should the Over-allotment Option be exercised in full, we will receive additional net proceeds of approximately HK\$97.9 million (assuming the same midpoint of the stated Offer Price range as stated above). We intend to adjust our allocation of the net proceeds for the purposes described above on a pro rata basis. The Selling Shareholder will not receive any of the net proceeds from the exercise of the Over-allotment Option.

To the extent that the net proceeds from the New Issue are not immediately used for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short term deposits with licenced banks and/or authorised financial institutions in Hong Kong and/or the PRC.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions shall have the following meanings:

“Active Capital”	Active Capital International Limited, a company incorporated under the laws of BVI
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) relating to the Hong Kong Public Offer, or where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of our Company, a summary of certain provisions of which is set out in Appendix IV to this prospectus, and as amended from time to time
“Asia Cable”	Asia Cable Holdings Pte. Ltd., a company incorporated under the laws of Singapore on 6 February 2004 and was deregistered under the laws of Singapore on 8 July 2009
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	our board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 1,190,000,000 Shares to be made upon capitalisation of part of the share premium account of our Company upon completion of the Global Offering referred to in the paragraph headed “Resolutions in writing of all Shareholders passed on 25 February 2012” in Appendix V to this prospectus
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會), a regulatory body responsible for the supervision and regulation of the banking institutions in the PRC

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Southern Power Grid Corporation”	China Southern Power Grid Corporation Ultra High Voltage Power Transmission Company (中國南方電網有限公司超高壓輸電公司), being a customer of our Company
“CIPC”	the Companies and Intellectual Property Commission, a regulatory agency under the Ministry of Trade and Industry of South Africa
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Jiangnan Group Limited (江南集團有限公司), a company incorporated in the Cayman Islands with limited liability on 4 January 2011
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means Power Heritage, Mr. Rui Fubin and Mr. Rui Yiping, individually and as a group of persons

DEFINITIONS

“CSRC”	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Director(s)”	the director(s) of our Company
“Dongfeng Cable”	江蘇東峰電纜有限公司 (in English, for identification purpose only, Jiangsu Dongfeng Cable Co., Ltd.)
“Eskom”	Eskom Holdings Limited, a company incorporated in South Africa
“Extra Fame”	Extra Fame Group Limited (in Chinese, for identification purpose only, 盛譽集團有限公司), a company incorporated under the laws of BVI on 15 September 2005 and is a directly wholly-owned subsidiary of our Company
“Furui Investments”	Furui Investments Limited (福瑞投資有限公司), a company incorporated under the laws of BVI on 11 August 2006, the entire share capital of which is owned by Mr. Wang Fucai
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offer and the International Placing
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries, or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the business operated by such subsidiaries
“ HK eIPO White Form ”	the application process for Hong Kong Offer Shares with applications issued in the applicant’s own name and submitted online through the designated website of www.hkeipo.hk

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“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website www.hkeipo.hk
“HK\$” or “HK cents”	Hong Kong dollars or cents, respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 38,480,000 New Shares initially offered for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares, subject to the re-allocation as described in the section headed “Structure of the Global Offering” of this prospectus
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the members of the public in Hong Kong (subject to re-allocation as described in the section headed “Structure of the Global Offering” of this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section “Underwriting – Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the conditional Hong Kong Public Offer underwriting agreement dated 5 April 2012 entered into between, among others, our Company and the Hong Kong Underwriters relating to the Hong Kong Public Offer, particulars of which are described in the section headed “Underwriting” of this prospectus

DEFINITIONS

“IBISWorld”	IBISWorld Inc., an independent market research institution that publishes professional research reports on a wide range of industries, including statistics, analysis and forecasts
“Independent Third Parties”	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive, Substantial Shareholders of our Company or any of its subsidiaries and their respective associates, and an “Independent Third Party” means any of them
“Independent Valuer”	Vigers Appraisal & Consulting Limited, an independent property valuer, whose property valuation report is included in Appendix III to this prospectus
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to selected professional, institutional and private investors as set out under the section headed “Structure of the Global Offering” of this prospectus
“International Placing Agreement”	the conditional International Placing underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company, the Selling Shareholder and the International Underwriters on or about the Price Determination Date
“International Placing Shares”	the 346,320,000 Shares, comprising 300,120,000 New Shares and 46,200,000 Sale Shares, expected to be initially offered for subscription or sale pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to re-allocation and the Over-allotment Option as described in the section headed “Structure of the Global Offering” of this prospectus
“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Placing Agreement to underwrite the International Placing

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“Investment Agreement”	the investment agreement dated 1 July 2010 entered into between Extra Fame, Furui Investments and Sinostar, details of which are set out in the paragraph headed “Pre-IPO investment” in the section headed “History and Development” of this prospectus
“Issuing Mandate”	the general unconditional mandate given to the Directors by the Shareholders relating to the issue of new Shares, particulars of which are set forth in the paragraph headed “Resolutions in writing of all Shareholders passed on 25 February 2012” in Appendix V to this prospectus
“Jiangnan Cable”	無錫江南電纜有限公司 (in English, for identification purpose only, Wuxi Jiangnan Cable Co., Ltd.), a wholly foreign-owned enterprise established under the laws of the PRC on 25 February 2004, an indirect wholly-owned subsidiary of our Company
“Jiangnan Cable (HK)”	Jiangnan Cable (HK) Limited (江南電纜(香港)有限公司), a company incorporated under the laws of Hong Kong on 15 December 2010, an indirect wholly-owned subsidiary of our Company
“Jinxiao Copper”	宜興市金嘯銅業有限公司 (in English, for identification purpose only, Yixing City Jinxiao Copper Co., Ltd.)
“km”	kilometre
“Latest Practicable Date”	Tuesday, 3 April 2012, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Lead Manager”, “Sole Bookrunner”, “Sole Global Coordinator” or “Sole Sponsor”	Daiwa Capital Markets Hong Kong Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) activities
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is currently expected to be on Friday, 20 April 2012

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LME”	London Metal Exchange Limited, a global non-ferrous metals trading market
“M&A Rules”	Regulations of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, a summary of certain provisions of which is set out in Appendix IV to this prospectus, and as amended from time to time
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“New Issue”	the issue of the New Shares
“New Shares”	338,600,000 new Shares being offered for subscription at the Offer Price under the Global Offering and the new Shares that may be issued pursuant to the exercise of the Over-allotment Option
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the paragraph headed “Determination of the Offer Price” in the section headed “Structure of the Global Offering” of this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option

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“Over-allotment Option”	the option granted by our Company to the Sole Global Coordinator (for itself and on behalf of the International Underwriters), pursuant to the International Placing Agreement, exercisable at any time up to the 30th day after the last date for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 57,720,000 additional new Shares, representing 15% of the initial Offer Shares, at the Offer Price per Share to cover, among other things, over-allocations in the International Placing, if any
“PBOC”	The People’s Bank of China (中國人民銀行)
“Power Heritage”	Power Heritage Group Limited, a company incorporated under the laws of BVI on 6 November 2003 and owned as to 83% by Mr. Rui Fubin and as to 17% by Mr. Rui Yiping as at the Latest Practicable Date
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC Legal Adviser”	AllBright Law Offices, the legal adviser to our Company as to PRC laws
“Prestige Time”	Prestige Time Investments Limited (subsequently renamed as Sun & Sun Global Asset Managemnt Ltd), a company incorporated under the laws of BVI on 2 January 2004
“Price Determination Agreement”	the agreement expected to be entered into between our Company, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Selling Shareholder on or before the Price Determination Date to record the agreement on the Offer Price

DEFINITIONS

“Price Determination Date”	the date, expected to be on or around Friday, 13 April 2012 (or such later date as may be agreed between our Company, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Selling Shareholder), on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than Wednesday, 18 April 2012
“Regulation S”	Regulation S under the US Securities Act
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, particulars of which are set out in the sub-paragraph headed “Reorganisation” under the paragraph headed “Further information about our Company and the subsidiaries of our Group” in Appendix V to this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by the Shareholders, particulars of which are set forth in the paragraph headed “Resolutions in writing of all Shareholders passed on 25 February 2012” in Appendix V to this prospectus
“Rule 144A”	Rule 144A under the US Securities Act
“SA Asia Cable”	SA Asia Cable (Proprietary) Limited, a company incorporated in South Africa on 14 June 2005, and is an indirect wholly-owned subsidiary of our Company
“SABS”	South African Bureau of Standards, a statutory body that operates as the national institution for the promotion and maintenance of standardisation and quality in connection with commodities and the rendering of services. It is responsible for maintaining South Africa’s national standards
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)

DEFINITIONS

“SAFE Circular No.75”	the Circular on Issues Relating to Foreign Exchange Control on Fund-raising by Domestic Residents through Offshore Special Purpose Vehicle and Round-trip Investments (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) promulgated on 21 October 2005 by SAFE
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“Sale Shares”	46,200,000 Shares to be offered for sale by the Selling Shareholder at the Offer Price under the International Placing
“Sanmu Group”	江蘇三木集團有限公司 (in English, for identification purpose only, Jiangsu Sanmu Group Co., Ltd.)
“SARFT”	State Administration of Radio Film and Television (中華人民共和國國家廣播電影電視總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Selling Shareholder”	Power Heritage, being the Shareholder who offers 46,200,000 Shares for sale under the International Placing with its particulars set out in the sub-paragraph headed “Particulars of the Selling Shareholder” under the paragraph headed “Other Information” in Appendix V to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Sinostar”	Sinostar Holdings Limited, a company incorporated under the laws of the Cayman Islands on 6 September 2006, the entire issued share capital of which is owned by Mr. Ng Cher Yew
“Siwei Copper”	青海思維銅業有限公司 (in English, for identification purpose only, Qinghai Siwei Copper Co., Ltd.)
“South Africa”	The Republic of South Africa
“South African Legal Adviser”	Cliffe Dekker Hofmeyr Inc, the legal adviser to our Company as to South African laws
“sq.m.”	square metre
“State Grid Corporation Group”	means, for the purpose of this prospectus, those electricity companies at provincial or above level controlled by the State Grid Corporation of China (中國國家電網公司) such as Anhui Electric Power Corporation Logistic Service Centre (安徽省電力公司物流服務中心) and Jiangsu Electric Power Company Material Purchase & Allocation Centre (江蘇省電力公司物資採購與配送中心) and those electricity companies below provincial level controlled by the electricity companies at provincial level or above such as Xining Electric Supply Corporation (西寧供電公司), which had purchased our Group’s products during the Track Record Period
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Power Heritage and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 57,720,000 Shares from Power Heritage
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company, means Power Heritage and Mr. Rui Fubin
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers

DEFINITIONS

“Track Record Period”	the financial years ended 31 December 2009, 2010 and 2011
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“US”	the United States of America
“US\$” or “US dollars” and “US cents”	United States dollars and cents, respectively, the lawful currency of US
“US Person”	US person as defined in Regulation S
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated under it
“ WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus
“Wuxi Jiangnan”	無錫市江南線纜有限公司 (in English, for identification purpose only, Wuxi Jiangnan Wire and Cable Co., Ltd) (subsequently renamed as 無錫市新港電子設備有限公司 (in English, for identification purpose only, Wuxi Newport Electronic Equipment Co. Ltd.)), which was established under the laws of the PRC on 1 August 1997 and was held as to 42.064% by Mr. Rui Fubin, 36.4% by Mr. Rui Yiping and 1.61% by Mr. Jiang Yongwei, one of our Directors, as at 29 February 2004. The remaining equity interest was held by Independent Third Parties. Wuxi Jiangnan transferred all its substantial assets and business to Jiangnan Cable in February 2004 and was subsequently deregistered in 2010
“ YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for the Hong Kong Offer Shares” of this prospectus

DEFINITIONS

“Yixing Hengxin” 宜興市恒鑫銅業有限公司 (in English, for identification purpose only, Yixing Hengxin Copper Industrial Co., Ltd), a company incorporated in the PRC which was owned as to 90% by the spouse of Mr. Rui Yiping, our executive Director and general manager (marketing and sales), and as to 10% by the brother of Mr. Rui Fubin, our Chairman and chief executive officer, from September 2007 to October 2008. Yixing Hengxin ceased to be our related company in October 2008 and was deregistered on 10 November 2010

“ZAR” or “rand” the lawful currency of South Africa

*Unless the context requires otherwise, amounts denominated in RMB and ZAR have been converted into HK\$ and RMB, respectively, for the purpose of illustration only, using the exchange rate of RMB0.81 = HK\$1 and ZAR1.21 = RMB1, respectively. **No representation is made that any amount in RMB or HK\$ could have been or could be converted at the above rates or at any other rates or at all.***

For ease of reference, the names of certain PRC entities have been included in this prospectus in both English and Chinese. The English names are the unofficial translation of their respective Chinese name and, in the event of any inconsistency, the Chinese version shall prevail.

Unless otherwise specified, all references to any shareholding in our Company assume no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides explanations of some of the technical terms and abbreviations commonly found in our industry. The terms and their meanings may not correspond to standard industry or common meanings, as the case may be, or usage of these terms:

“AAAC”	an abbreviation for all aluminium alloy conductor, a conductor made from aluminium-magnesium-silicon alloy
“ABC”	an abbreviation for aerial bundled cable (also aerial bundled conductor), an overhead power lines using several insulated phase conductors bundled tightly together, usually with a bare neutral conductor
“ACSR”	an abbreviation for aluminium conductor steel reinforced, a high-capacity, high-strength stranded cable that has long been the backbone of overhead transmission and distribution systems
“annealing”	a heat treatment process to boost plasticity, eliminate hardness and preserve the optimum electrical characteristics and metallic performance of the copper
“armour”	a layer of galvanised steel wire or tape that is wrapped around a cable to provide a high level of protection against mechanical damage
“cable”	a tube wrapped in insulating material and sheath containing wires that carry electricity and electronic signals
“cabling”	a process whereby several insulated cores or other materials are wrapped together to form a cabled assembly
“CB”	CB Test Certificate, a formal document affirming that a sample of the product tested was found to be in compliance with applicable requirements based on the use of IEC Standards
“CCC”	China Compulsory Certification (中國國家強制性產品認證證書), a compulsory safety certificate for many products sold in the Chinese market including home appliances, safety glasses and wires and cables for electrical equipment

GLOSSARY OF TECHNICAL TERMS

“CE”	CE marking, a mandatory conformance mark that certifies that a product has met European consumer safety, health or environmental requirements
“conductor”	a wire or combination of wires not insulated from one another, suitable for carrying an electrical current
“core”	the portion of an insulated cable lying under the protective covering or coverings
“drawing”	a procedure that involves pulling the metal wire through a die or series of dies to reduce the size of the wire diameter
“EPR”	an abbreviation for ethylene propylene rubber, an insulation used for high-voltage cables that is suited for applications where regular cable movement is required such as in the mining industry
“extrusion”	the process of continuously forcing an insulating material and a conductor or core through an extrusion machine or die, thereby applying an insulation to the conductor or core
“fire resistant”	the ability of cables to continue to function at temperatures of up to 750 degrees Celsius and for a period of up to 90 minutes whilst under the influence of fire. The fire-resistant cable maintains circuit integrity even when burnt. Cables with enhanced fire-resistant attribute have the ability to continue to function at temperatures of 1,000 degrees Celsius and for a period of up to 180 minutes. Such cables are mainly used in petrochemicals and metallurgy industries, as well as in high-rise buildings
“flame retardant”	the ability of cables to retard or slow the progress of fire and flame along the cable. This is achieved by the use of materials that do not readily burn and will tend to self-extinguish. Cables with such an attribute are mainly used in communications, railway, real estate, petrochemicals and metallurgy industries
“high voltage cables”	high voltage cables comprise cables of rated voltage 66-220kV

GLOSSARY OF TECHNICAL TERMS

“hydroelectric”	relating to the electricity generated through the use of gravitational force of falling or flowing water
“IEC”	International Electrotechnical Commission, the world’s leading organisation that prepares and publishes International Standards for all electrical, electronic and related technologies
“insulation”	an outer coating for the conductor that helps resist the flow of electric charge
“ISO”	International Organisation of Standards, a world-wide federation of national standards bodies whose mission is to develop industrial standards that facilitate international trade
“kV”	kilovolt
“kWh”	kilowatt hour
“low voltage cables”	low voltage cables comprise cables of rated voltage of up to 0.61/1kV. Low voltage cables are mainly used in low voltage power transmission and distribution networks in commercial and residential buildings
“LSZH”	an abbreviation for low smoke zero halogen, a feature and material classification that causes cables to emit very low concentrations of dangerous fumes when burnt
“mid voltage cables”	mid voltage cables comprise cables of rated voltage ranging from 3.6/6kV to 26/35kV. Due to the ability of mid voltage cables to transmit higher voltages of power, such cables are usually used in power plants for industrial uses
“PCCC”	a certification issued by the Power (Beijing) Product Certification Centre Co., Ltd., which is responsible for certifying a variety of electrical and mechanical products
“PE”	an abbreviation for polyethylene, a general purpose thermoplastic generally used as insulations and sheaths for low voltage wire and cable

GLOSSARY OF TECHNICAL TERMS

“photoelectric”	relating to the electric effects of electromagnetic radiation, especially the ejection of an electron from a surface by a photon. In other words, photoelectric pertains to the conversion of light to electricity
“polyolefin”	a polymer and general thermoplastic that is a non-polar, odourless and nonporous material commonly used in consumer goods, structural plastics, food packaging and industrial products
“PVC”	an abbreviation for polyvinyl chloride, a general purpose thermoplastic generally used as insulations and sheaths for low voltage wire and cable
“RoHS”	Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, a set of standards with reference to European Union Directives 2002/95/EC and 2005/618/EC
“screen”	a sheet, screen or braid of metal (usually copper, aluminium or other conductor material) placed around or between electric circuits or cables or their components, to avoid any unwanted interference or radiation
“sheath”	a layer of material, usually being plastic or rubber, applied to a cable that protects the insulation from mechanical damage
“stranding”	small wires are twisted together to produce a larger conductor size
“ultra high voltage cables”	ultra high voltage cables comprise cables of rated voltages of above 220kV
“ultra high voltage direct current”	a feature in power transmission lines that uses direct current to transmit large amounts of power over long distances. Ultra high voltage direct current systems are less expensive and suffer lower electrical loss than alternating current systems
“V”	volt
“XLPE”	an abbreviation for cross-linked polyethylene, a high-grade insulation material generally used for high voltage cables as it has good electrical performance and can endure higher temperatures of up to 90 degrees Celsius

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

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

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

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

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

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

RISK FACTORS

We may face price fluctuations or shortages of raw materials.

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

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

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

RISK FACTORS

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

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

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

Notes:

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

1. No change in our existing sales volume;
2. No change in our gross profit margin;
3. All other expenses including operating expenses, finance expenses and taxation remain unchanged;
4. Any force majeure events or unforeseeable factors that are beyond our control are not accounted for;
5. We are able to adjust upward the mark-up percentage when raw material prices drop to ensure that we generate sufficient gross profit to cover our fixed costs.

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

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have entered into a number of contractual arrangements including, but not limited to, sales contracts and/or a master agreement with our customers and purchase contracts with our suppliers. Our business, operation and financial performance are dependent on, among other things, whether such contracts will be performed by the relevant counterparties. We cannot assure you that these contracts and master agreements will be fully performed by our counterparties, or at all. If our counterparties do not fully perform their obligations under the relevant contracts or the master agreements, our business, financial condition and results of operations could be adversely affected. In particular, for some of our sales contracts and for the

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master agreements, whether the relevant estimated indicative sales figures can be achieved will depend on a number of variables, such as the economic environment, the prevailing pricing of our products and the actual order quantity our customers receive, many of which are beyond our control. If the estimated indicative sale figures cannot be achieved, our business, profitability, financial condition and results of operations could be adversely affected.

We face risks relating to our bank borrowings.

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

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

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

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

Some of our bank borrowings during the Track Record Period and as at the Latest Practicable Date were guaranteed by our suppliers, including Jinxiao Copper, Sanmu Group, Dongfeng Cable and Siwei Copper. In particular, Jinxiao Copper was one of our top five suppliers during the Track Record Period and had involved in both the non-compliant bill

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financing arrangement with us and the provision of guarantees for our bank borrowings. The following table summarizes the guarantees provided by these suppliers as at 31 December 2009, 2010, 2011 and 29 February 2012 and the percentage of our total bank borrowings as at the relevant dates.

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

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

We are exposed to potential product liability claims.

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

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


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

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

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

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

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

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

RISK FACTORS

We may inadvertently infringe third party intellectual property rights.

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

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

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

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

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

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

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

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

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

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

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

RISK FACTORS

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

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

RISKS RELATING TO THE INDUSTRY

We face fierce competition in a fragmented industry.

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

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

RISK FACTORS

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

The majority of our products sold are used in the power generation and transmission industry, which is estimated to account for approximately 41% of the wire and cable industry revenue in China in 2011 according to IBISWorld. Our established customers in the power industry include, among others, the State Grid Corporation Group, Beijing Electric Power Construction Company (北京電力建設公司) (together with other companies in the same group), and Huadian Tangyuan Wind Power Company Limited (華電湯原風發電有限公司). Our sales derived from the power generation and transmission industry accounted for approximately 22.5%, 17.3% and 21.8% of our total turnover, respectively, during the Track Record Period.

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

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

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

We are subject to risks associated with technological changes.

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

Despite the fact that we commit time, effort and other resources to the research and development of new products, materials as well as technical know-how to meet the changing market demands, rapid changes in market demand could render our efforts obsolete as we may

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not be able to achieve the technological advances necessary to enable us to keep pace with the industrial development. Accordingly, we cannot assure you that the results of our research and development efforts will attain market acceptance or that such efforts will be commercially successful or that our products and processes will not become obsolete. In such event, our business, financial condition and results of operation could be adversely affected.

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

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

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

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

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

Our business could be adversely affected by natural disasters or the outbreak of health epidemics in China. In May 2008, a major earthquake registering 8.0 on the Richter scale struck Sichuan Province and many parts of China, devastating much of the affected areas and

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

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

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

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

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

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

Currently, our business and operations in the PRC entail the procurement of licences and permits from relevant authorities. Thus, our business and operations in the PRC are subject to PRC governmental rules and regulations. From time to time, changes in the rules and regulations or the implementation thereof may require us to obtain additional approvals and

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licences from the PRC authorities for the conduct of our operations in the PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This could in turn affect our financial performance as our business costs could increase. Furthermore, we cannot assure you that such approvals or licences could be granted promptly or at all. If we experience delay in or are unable to obtain such required approvals or licences, our operations and business in the PRC, and hence our overall financial performance, could be adversely affected. Please refer to the section headed “Regulatory Overview” of this prospectus for details.

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

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

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

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

Should there be a further economic downturn or credit crisis for any reason, our ability to borrow funds from current or other funding sources may be further limited, causing our continued access to funds to become more expensive, which would adversely affect our business, liquidity, financial condition, results of operations, and most importantly, our expansion projects. Moreover, apart from our access to funds, further economic downturn will

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also affect our customers, and may in turn reduce the demand for our products or affect their abilities to settle amounts owed to us in respect of previously supplied cable products. As such, we cannot assure you that our business operations will not suffer further adverse effects caused by the previous or future credit crisis in the near future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Any capital contribution or loans that we, as an offshore entity, make to our PRC subsidiary, including the proceeds of the Global Offering, are subject to PRC regulations. For

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO DOING BUSINESS IN SOUTH AFRICA

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

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

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

The Consumer Protection Act of South Africa establishes a form of “modified strict liability” of producers, importers, distributors or retailers in respect of harm caused by, or as a result of, the supply of any unsafe goods, product failures, defects or hazards in any goods, or inadequate instructions or warnings provided to the consumers, and pertaining to any hazard

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

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

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

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

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

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

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

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

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

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

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Corporate fraud such as “corporate hijackings” may affect SA Asia Cable.

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

RISKS RELATING TO THE GLOBAL OFFERING

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

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

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

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

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

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

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- reduction of our cash flow applicable in capital expenditure, working capital and other daily operations because part of the operation cash flow will be applied to the debt repayment; and
- limits on our operation flexibility because financing facilities may involve restrictive covenants.

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

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

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

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

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

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

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reasonable or appropriate. The sale of such Shares may have a negative effect on the price of our Shares. Please refer to the section headed “Underwriting” of this prospectus for information regarding the lock-up arrangements of our current Controlling Shareholders.

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

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

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

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

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

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

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

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

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

As our Group's principal business and operation are primarily located, managed and conducted in the PRC through our major operating subsidiary, Jiangnan Cable and no business activity is or will be carried out or managed in Hong Kong and majority of our Group's assets are based in the PRC, our executive Directors and our senior management are and will continue to be based in the PRC.

As at the Latest Practicable Date, none of our executive Directors was ordinarily resident in Hong Kong. If two executive Directors who are ordinarily resident in Hong Kong are appointed with a view to complying with the requirements of Rule 8.12 of the Listing Rules, they might not be able to fully understand or familiarise themselves with our business operations, activities and development. This may adversely affect their ability to exercise their discretion on a fully informed basis, or make appropriate business decisions or judgements that are beneficial to our operations and development. It would also be impracticable and unnecessarily burdensome to relocate our executive Directors to Hong Kong. In the circumstances, our Directors consider that it is impracticable and not in the best interests of our Group and our Shareholders as a whole to appoint two executive Directors who are ordinarily resident in Hong Kong or to relocate any of our PRC-based executive Directors to Hong Kong for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules.

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, our Company has put in place the following measures:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed two authorised representatives, namely Mr. Chan Man Kiu, the company secretary and the chief financial officer, who is ordinarily resident in Hong Kong, and Ms. Xia Yafang to act as our principal channel of communication with the Stock Exchange, and Mr. Jiang Yongwei and Mr. Rui Yiping act as the alternate of Mr. Chan Man Kiu and Ms. Xia Yafang respectively;
- (b) each of our authorised representatives and alternate authorised representatives will be readily contactable by telephone and facsimile by the Stock Exchange and will make themselves readily available in Hong Kong whenever necessary to deal promptly with enquiries from the Stock Exchange;
- (c) each of our authorised representatives and alternate authorised representatives has means to contact all our Directors and senior management team of our Group promptly at all times as and when the Stock Exchange wishes to contact them for any matter;

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) all our executive Directors, who are not ordinarily residents in Hong Kong, have confirmed that they possess valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice;
- (e) each of our executive Directors who is not ordinarily resident in Hong Kong will provide their contact details including telephone, mobile phone and fax numbers and where available, email addresses to our authorised representatives to ensure that they can be contacted at any time;
- (f) to enhance the communication between the Stock Exchange, our authorised representatives and our Directors, our Company will implement a policy that (a) in the event that any Director expects to travel and be out of office, he or she will provide the phone number of the place of his accommodation to the authorised representatives; and (b) all our Directors (including our independent non-executive Directors) will provide their mobile phone numbers, residential phone numbers, office phone numbers and fax numbers to the Stock Exchange;
- (g) our Company would, pursuant to Rule 3A.19 of the Listing Rules retain Daiwa Capital Markets Hong Kong Limited as our Company's compliance adviser ("Compliance Adviser") who will act as the additional channel of communication with the Stock Exchange following the Listing Date until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date ("Engagement Period") pursuant to Rule 3A.19 of the Listing Rules;
- (h) our Company will ensure that during the Engagement Period, our Compliance Adviser has access at all times promptly to our authorised representatives, Directors and other senior officers who will provide to our Compliance Adviser such information and assistance as our Compliance Adviser may reasonably require in connection with the performance of our Compliance Adviser's duties; and
- (i) during the Engagement Period, in the case of resignation by, or termination of, our Compliance Adviser, our Company undertakes to appoint a replacement compliance adviser within three months of the effective date of the resignation or termination (as the case may be) pursuant to Rule 3A.27 of the Listing Rules.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing will be fully underwritten by the International Underwriters pursuant to the International Placing Agreement and are subject to our Company, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Selling Shareholder agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed between our Company, the Sole Global Coordinator (on behalf of the Underwriters) and the Selling Shareholder on or before the Price Determination Date, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" of this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other parties involved in the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON SALE OF OFFER SHARES

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued under the Capitalisation Issue). Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on our Company's branch register of members to be maintained in Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Selling Shareholder, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STABILISATION AND OVER-ALLOTMENT OPTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the International Placing, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 57,720,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Further details of the Over-allotment Option and stabilisation are set out in the paragraph headed “Over-allotment Option” and “Stabilisation” of the section headed “Structure of the Global Offering” of this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section entitled “How to apply for the Hong Kong Offer Shares” of this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Rui Fubin (芮福彬)	51 Xin Guan East Road Guanlin Town Yixing City Jiangsu Province PRC	Chinese
Mr. Rui Yiping (芮一平)	51 Xin Guan East Road Guanlin Town Yixing City Jiangsu Province PRC	Chinese
Mr. Jiang Yongwei (蔣永衛)	91 Guan Lin Village Zhong Lai Village Guanlin Town Yixing City Jiangsu Province PRC	Chinese
Ms. Xia Yafang (夏亞芳)	Room 1602, No. 58-13 Nancang Cun Road Yicheng Jiedao Yixing City Jiangsu Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Independent non-executive Directors</i>		
Mr. He Zhisong (何植松)	Room 1701, 28, 99 Long Dong Xiu Road Pudong New Area Shanghai City PRC	Chinese
Mr. Wu Changshun (吳長順)	25, 82 Long Jia Lin Road Pudong New Area Shanghai City PRC	Chinese
Mr. Yang Rongkai (楊榮凱)	2, 103 Gao Ya Village Hong Shan District Wuhan City PRC	Chinese
Mr. Poon Yick Pang Philip (潘翼鵬)	Flat A, 8/F., Block A Hollywood Terrace 268 Queen's Road Central Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	Daiwa Capital Markets Hong Kong Limited Level 28, One Pacific Place 88 Queensway Hong Kong
Sole Global Coordinator, Sole Bookrunner and Lead Manager	Daiwa Capital Markets Hong Kong Limited Level 28, One Pacific Place 88 Queensway Hong Kong
Legal advisers to our Company	<i>as to Hong Kong law:</i> Leung & Lau 3rd Floor 50 Connaught Road C. Central Hong Kong <i>as to PRC law:</i> AllBright Law Offices 14th Floor, Citigroup Tower 33 Hua Yuan Shi Qiao Road Pudong New Area Shanghai, 200120 PRC <i>as to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square, Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands <i>as to South African law:</i> Cliffe Dekker Hofmeyr Inc 1 Protea Place Sandton Johannesburg 2196 South Africa

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to the Sole Sponsor and Underwriters

as to Hong Kong law:
King & Wood Mallesons
9th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

as to PRC law:
Jin Mao P.R.C. Lawyers
13/F, Hong Kong New World Tower
No. 300 Huaihai Zhong Road
Shanghai 200021
PRC

as to US law:
Jones Day
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditor and reporting accountants

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Property valuer

Vigers Appraisal & Consulting Limited
10/F The Grande Building
398 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Receiving bankers

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Standard Chartered Bank (Hong Kong)
Limited
15/F, Standard Chartered Tower
388 Kwun Tong Road
Kowloon, Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Headquarters and principal place of business in the PRC	No. 53, Xin Guan East Road Guanlin Town Yixing City Jiangsu Province PRC
Principal place of business in Hong Kong	Room 303, 3rd Floor 50 Connaught Road C. Central Hong Kong
Company's website	www.jiangnangroup.com <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Mr. Chan Man Kiu (陳文喬), CPA, FCCA
Authorised representatives (for the purpose of the Listing Rules)	Mr. Chan Man Kiu (陳文喬) 5/F., Flat G, Block 1 Villa Concerto, Symphony Bay 530 Sai Sha Road Ma On Shan New Territories Hong Kong Ms. Xia Yafang (夏亞芳) Room 1602, No. 58-13 Nancang Cun Road Yicheng Jiedao Yixing City Jiangsu Province PRC

CORPORATE INFORMATION

Authorised representative (for the purpose of the Companies Ordinance)	Mr. Chan Man Kiu (陳文喬) 5/F., Flat G, Block 1 Villa Concerto, Symphony Bay 530 Sai Sha Road Ma On Shan New Territories Hong Kong
Compliance adviser	Daiwa Capital Markets Hong Kong Limited
Audit committee	Mr. Poon Yick Pang Philip (潘翼鵬) (<i>Chairman</i>) Mr. He Zhisong (何植松) Mr. Wu Changshun (吳長順) Mr. Yang Rongkai (楊榮凱)
Remuneration committee	Mr. Wu Changshun (吳長順) (<i>Chairman</i>) Mr. He Zhisong (何植松) Mr. Yang Rongkai (楊榮凱) Mr. Poon Yick Pang Philip (潘翼鵬) Mr. Rui Yiping (芮一平)
Nomination committee	Mr. Wu Changshun (吳長順) (<i>Chairman</i>) Mr. He Zhisong (何植松) Mr. Yang Rongkai (楊榮凱) Mr. Poon Yick Pang Philip (潘翼鵬) Mr. Rui Yiping (芮一平)
Corporate governance committee	Mr. Rui Fubin (芮福彬) (<i>Chairman</i>) Mr. Rui Yiping (芮一平) Mr. Jiang Yongwei (蔣永衛)
Principal share registrar and transfer office in Cayman Islands	Codan Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong

CORPORATE INFORMATION

Principal bankers

Bank of China
Yixing Guanlin Sub-branch
93 South Lingxia Road
Guanlin, Yixing
Jiangsu Province
PRC

Agriculture Bank of China
Yixing Guanlin Sub-branch
2 West Guanxin Road
Guanlin, Yixing
Jiangsu Province
PRC

China Construction Bank
Yixing Guanlin Sub-branch
1 Guanxin Road
Guanlin, Yixing
Jiangsu Province
PRC

Hua Xia Bank
Wuxi Branch
105 Xinsheng Road
Wuxi City
Jiangsu Province
PRC

INDUSTRY OVERVIEW

This section contains information derived from various sources. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters or any of their respective directors, affiliates or advisers, nor any other parties involved in the Global Offering and no representation is given as to its accuracy or correctness. The information may not be consistent with the information from other sources.

Certain information and statistics are extracted from a market research report published on 24 October 2011 by IBISWorld, an independent market research institution. This report from IBISWorld is not commissioned by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Lead Manager, the Underwriters or any of their respective directors, affiliates or advisers. The information extracted from this report from IBISWorld reflects an estimate of the market conditions based on IBISWorld's research and analysis. The information extracted from this report should not be viewed as a basis for investments from IBISWorld, and references to this report should not be considered as IBISWorld's opinion as to the value of any security or the advisability of investing in our Company. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, the same has not been independently verified, and there is no representation as to the accuracy of such statements or information. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

OVERVIEW

Wires and cables are widely used in multiple segments of a national economy. They not only provide important support to various industries, national defense and significant construction projects, but also form the foundation for the functioning of modern economies and societies.

China's wire and cable manufacturing industry ranks No.1 in the world in terms of industry revenue, industry output and growth rate for the past few years, according to the Directives for the Enhancement of Wire and Cable Products' Qualities published on 28 October 2011 by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).

The wire and cable manufacturing industry in China is in a growth phase, fundamentally driven by the fast growth of the PRC's economy as well as the PRC's accelerating trends of industrialisation and urbanisation.

INDUSTRY OVERVIEW

In particular, we believe that the following factors have driven the growth of China's wire and cable industry in the past and will continue to play important roles in the future:

- growing demand for electricity as a result of continuous rapid economic growth, evidenced by the growth of electricity generated in China at a CAGR of approximately 12% in the 1998-08 period (as compared to a CAGR of approximately 1% for the US and a CAGR of approximately 2% for Europe in the same period), according to the National Bureau of Statistics of China;
- continuous investment and construction of the national power grid driven by urbanisation, evidenced by an increase of approximately 39.4% in the urban population from 2001 to 2010, according to the National Bureau of Statistics of China;
- extension of the national power grid to cover remote rural areas;
- replacement and upgrade of the existing national power grid;
- rapid development of renewable energy, whereby the traditional electricity production and transmission that was based on a few very large sources of energy and their connection to the grid is increasingly replaced by renewable energy where the sources are small and widely disseminated; and
- expanding industrial applications and development of various industries, including oil and gas, transportation, metals and mining, construction and others.

These drivers lead us to believe that the China market for cable and wires will continue to grow significantly in the near future.

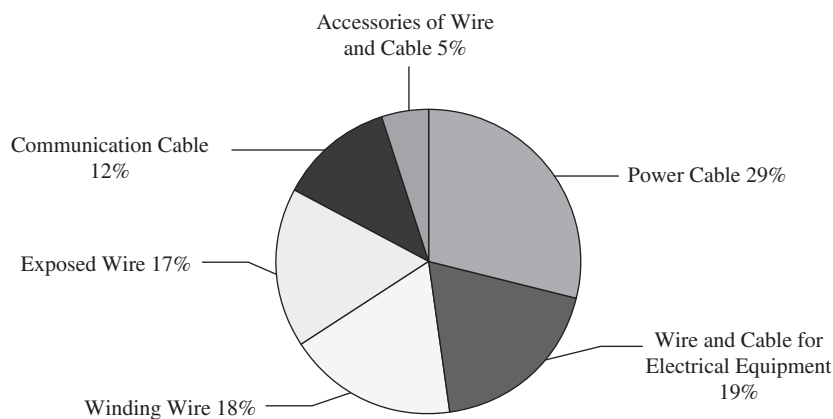
Product Segmentation

The major products and services in the wire and cable industry of China include: (1) power cables; (2) wires and cables for electrical equipment; (3) winding wires; (4) exposed wires; (5) communication cables; and (6) accessories of wire and cable. Power cable, being this industry's largest product segment, is estimated to account for approximately 29% of total industry revenue in 2011. Power cables are generally used in transmitting electricity of

INDUSTRY OVERVIEW

voltages between 220V and 500kV. The following chart illustrates the expected product segmentation of the wire and cable industry in China in 2011:

Products Segmentation of the Wire and Cable Manufacturing Industry in China

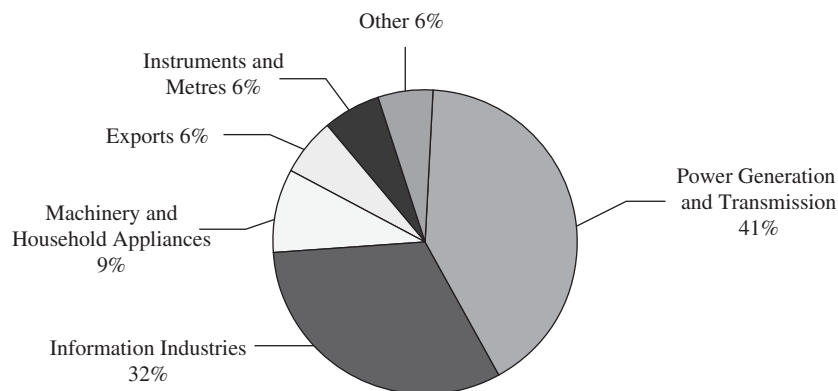


Source: IBISWorld

Major Market Segments

The majority of the industry's products sold are used in power generation and transmission industries. This segment is estimated to account for approximately 41% of the industry revenue in 2011. The construction of power generation plants and electricity transmission networks in China consumes large volumes of wires and cables. The following chart illustrates the expected major market segments of the wire and cable manufacturing industry in China in 2011:

Major Market Segments of the Wire and Cable Manufacturing Industry in China



Source: IBISWorld

INDUSTRY OVERVIEW

A Fragmented Market with Consolidation Opportunities

The wire and cable industry in China is fragmented with many manufacturers. It was estimated by IBISWorld that there would be approximately 4,680 enterprises in the wire and cable manufacturing industry in China at the end of 2011. Most manufacturers are small to medium sized and tend to focus on particular wire and cable products or markets. Only a few large manufacturers can manufacture an extensive range of wire and cable products. While the market share of the largest manufacturer was just approximately 2.5% in 2010, larger manufacturers have demonstrated increasing advantages over smaller manufacturers, making consolidation a natural trend for this sector in the near future. The PRC government has also indicated its support for industry consolidation led by reputable companies within the sector and various policies have been issued to strengthen the supervision of quality of cable products and to support companies with high quality products.

The table below sets forth the top five manufacturers of wire and cable in China with their respective market shares by revenue, among which we ranked third in 2010:

Market Share of Top Five Manufacturers of Wire and Cable in China

<u>Rank</u>	<u>Company name</u>	<u>Market share</u>
		2010
1	Far East Holdings Group Co., Ltd.	2.5%
2	Wanda Group Company	2.1%
3	Jiangnan Cable ⁽¹⁾	1.4%
4	Baosheng Group	1.3%
5	Suli Group	1.1%

Source: IBISWorld

Note:

(1) Our PRC subsidiary

Entry Barriers

The PRC government published the Guidance Catalogue for Industrial Structure Adjustment (2011) (產業結構調整指導目錄(2011年本)) (the “Guidance Catalogue”), which became effective on 1 June 2011. Under the Guidance Catalogue, the wire and cable industry, has been categorised as one of the “restricted industries” that are restricted from issuing new China Compulsory Certification (中國國家強制性產品認證證書), or CCCs, the compulsory safety and quality mark required for products sold in China. CCCs obtained for wire and cable products (except the special wire and cable that is used for new energy, information industry, aeronautics and astronautics, rail traffic, oceanographic engineering), on or before 31 May 2011 are still effective and are renewable on expiry, but applications for new CCCs or for new types of products not covered by existing CCCs on or after 1 June 2011 will not be accepted.

INDUSTRY OVERVIEW

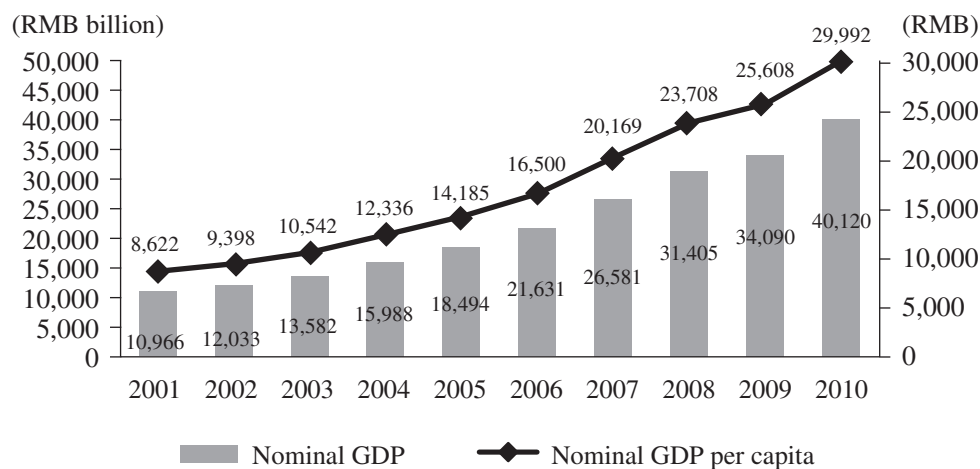
Moreover, there are various barriers to grow and become one of the top manufacturers in this industry including, brand recognition, proven quality, solid track record, sizable manufacturing capacity, adequate research and development capability, established sales network and customer base, ability to manufacture products in accordance with customers' specifications, as well as sufficient capital and financial strength.

THE PRC ECONOMY

Growth of the PRC economy

The PRC economy has been growing rapidly since the implementation of market liberalisation policies by the PRC government in the late 1970s. Economic growth was further reinforced by the launch of special economic zones along coastal areas in the early 1990s and by China's entry into the World Trade Organisation in 2001. According to the National Bureau of Statistics of China, the nominal GDP increased from approximately RMB10,966 billion in 2001 to approximately RMB40,120 billion in 2010, representing a CAGR of approximately 15.5%. The nominal GDP per capita increased from approximately RMB8,622 in 2001 to approximately RMB29,992 in 2010, representing a CAGR of approximately 14.9%.

Nominal GDP and Nominal GDP Per Capita in the PRC



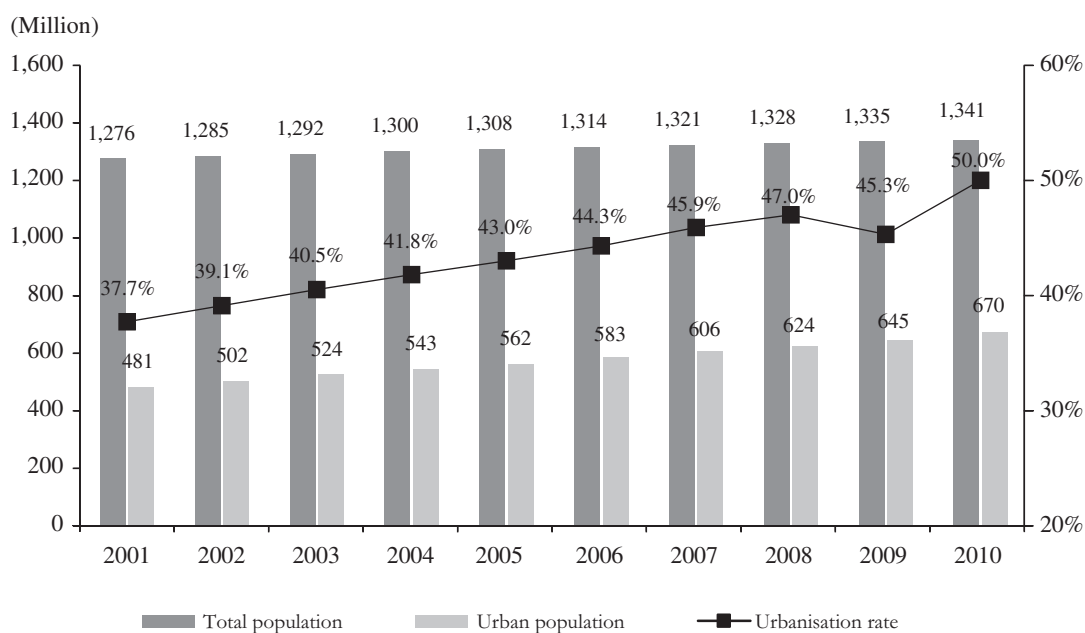
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Accelerating Urbanisation

The urbanisation process of the PRC has been driven by the rapid economic growth. Population in urban areas has expanded with the influx of people from rural and less developed areas. According to the National Bureau of Statistics of China, from 2001 to 2010 the total urban population in the PRC increased by approximately 189.1 million or approximately 39.4%. In 2010, the total urban population was approximately 669.8 million and accounted for approximately 50.0% of the total population (up from approximately 37.7% in 2001). The chart below shows the total population, the urban population and the urbanisation rate from 2001 to 2010 in the PRC.

Total Population, Urban Population and Urbanisation Rate in the PRC



Source: National Bureau of Statistics of China

ELECTRICITY PRODUCTION, CONSUMPTION AND TRANSMISSION IN THE PRC

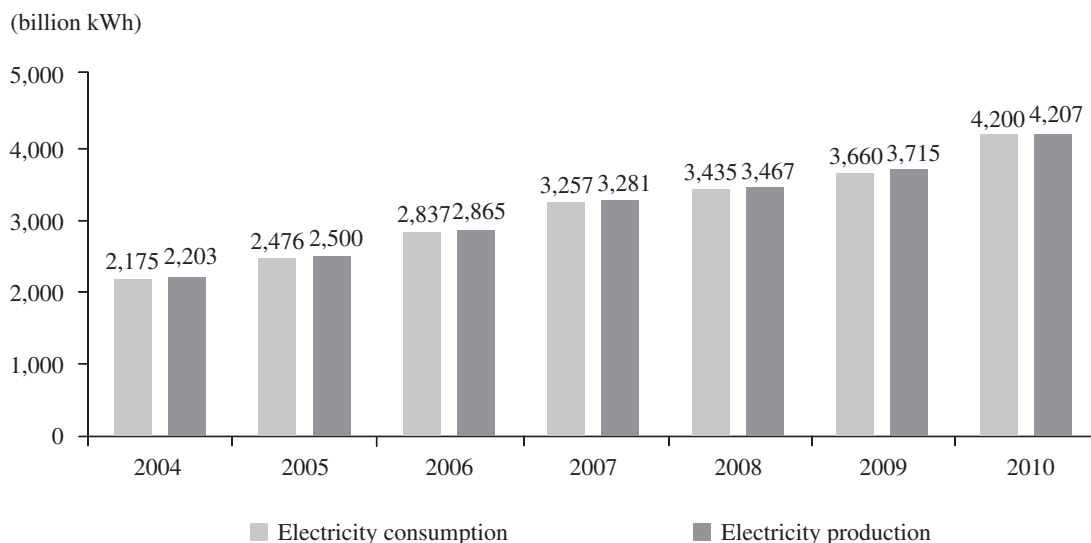
Electricity Production and Consumption

In line with the growth in the PRC economy and the PRC urban population, the electricity consumption level in China also shows an increasing trend. From 2004 to 2010, the total electricity consumption in the PRC increased by approximately 2,025 billion kWh, or approximately 93.1%, and the CAGR for the period was approximately 11.6%. In 2010, the total electricity consumption was approximately 4,200 billion kWh. To match its rapidly increasing electricity consumption, the country has been investing heavily in its power generation facilities. According to China Electric Council, the total installed electricity generation capacity increased to approximately 966 million kW at the end of 2010 from approximately 874 million kW in 2009.

INDUSTRY OVERVIEW

The chart below shows the total electricity consumed and produced from 2004 to 2010 in the PRC.

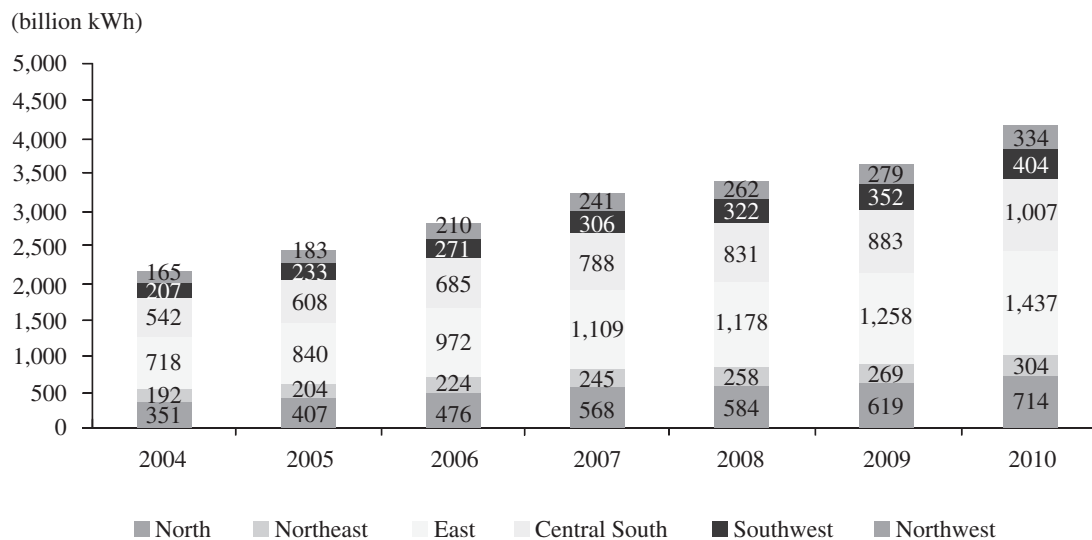
Electricity Consumption and Production in the PRC



Source: National Bureau of Statistics of China

In terms of regional electricity consumption, all regions have shown an upward trend, with the CAGR from 2004 to 2010 at approximately 12.6%, 8.0%, 12.3%, 10.9%, 11.7% and 12.4% in the North, Northeast, East, Central South, Southwest and Northwest regions, respectively.

Electricity Consumption by Region in the PRC



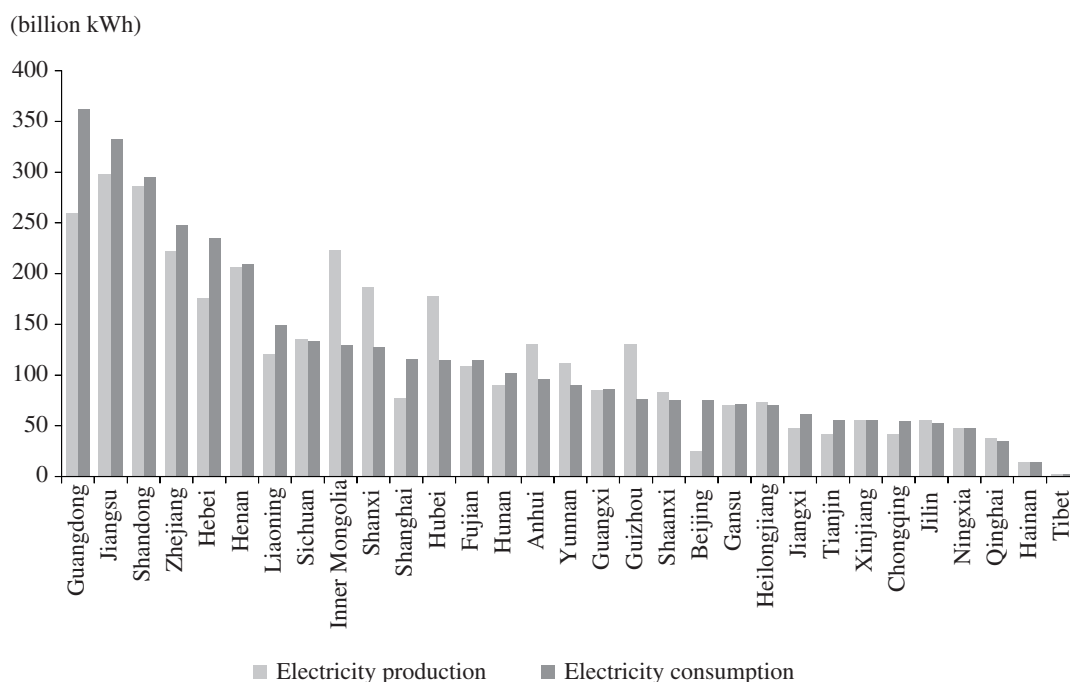
Source: National Bureau of Statistics of China

INDUSTRY OVERVIEW

Electricity Transmission

Electricity produced in the PRC relies on the national power grid to be transferred across the country. Disparity between electricity consumption and production can be substantial in regions where economic activities (and therefore electricity consumption) are particularly strong, such as Guangdong, Beijing and Shanghai, and where coal or water resources (and therefore electricity production) are particularly abundant, such as Inner Mongolia, Shanxi and Hubei (where the Three Gorges Dam is located). The chart below sets forth the electricity consumption and production by region in China in 2009.

Electricity Production and Consumption by Region in 2009



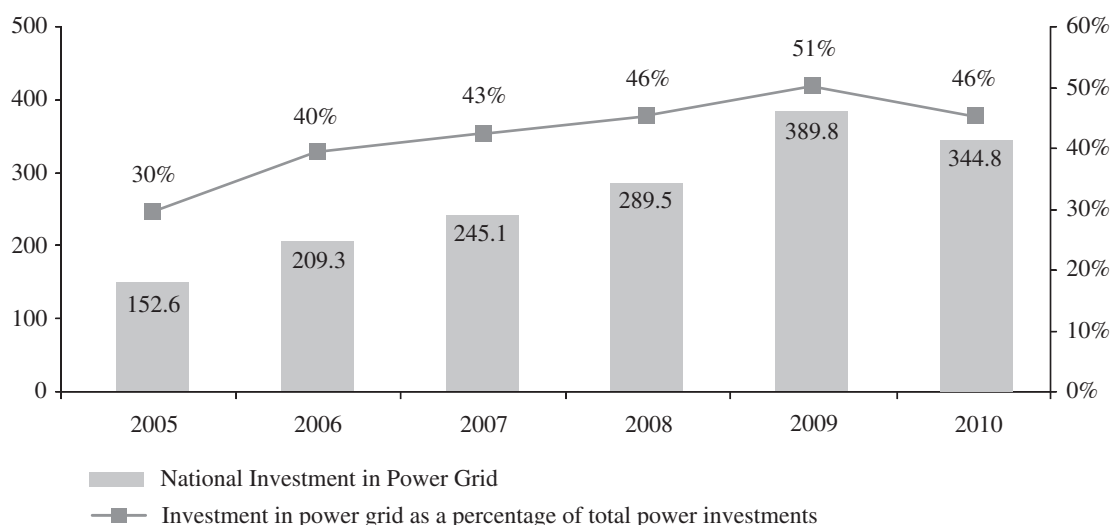
Source: National Bureau of Statistics of China, China Electricity Council

INDUSTRY OVERVIEW

The PRC has been continuously investing in its national power grid to match the increasing energy needs of its expanding economy. The chart below sets forth the PRC's investment in power grid in absolute terms and as a percentage of total investment in the power space (including investment in power generation infrastructure) between 2005 and 2010. An increasing amount and proportion of national investment has been directed to expand and upgrade the PRC's power grid. It is believed that such investment in the national power grid will continue in the future.

National Investment in Power Grid in the PRC

(RMB billion)



Source: China Electricity Council

China's 12th Five-Year Plan (2011-2015)

In March 2011, China's National People's Congress approved the Guiding Principles of China's 12th Five-Year Plan for National Economic and Social Development (the "12th Five-Year Plan"). According to the 12th Five-Year Plan, the PRC government will accelerate the construction of modern electricity network, further increase the volume of electricity transferred from western China to eastern China, improve the regional backbone electricity network, and promote smart grid development in the five years between 2011 and 2015 (the "12th Five-Year Period").

During the 12th Five-Year Period, a key initiative of the National 12th Five-Year Plan is to expand and upgrade China's high voltage power infrastructure. The PRC government plans to construct several high voltage and ultra high voltage electricity grids across various regions of China with a target of establishing a total of 200,000 km of electricity grid during this period. Smart grid construction will also take place during the 12th Five-Year Period and approximately RMB1,600 billion is expected to be invested by the State Grid Corporation Group for the construction of smart grid infrastructure to enhance power supply through advanced grid technology. For the development of rural power infrastructure, the State Grid

INDUSTRY OVERVIEW

Corporation Group is planning to invest approximately RMB410 billion within the next five years; and China Southern Power Grid Corporation is planning to invest approximately RMB111.6 billion during the same period, for an aggregate of approximately RMB521.6 billion in planned investment in the next five years.

According to China Electricity Council, the PRC government plans to spend approximately RMB5.3 trillion in the power industry during the 12th Five-Year Period, implying an increase of approximately 66.0% against the five years between 2006 and 2010 (the “11th Five-Year Period”). Out of the RMB5.3 trillion investment, approximately RMB2.55 trillion will be spent on power grid construction and the rest will be spent on power plant construction. Comparing with the actual investment in power grid construction of RMB1.48 trillion during the 11th Five-Year Period, this implies a significant growth rate of approximately 72.5%.

IBISWorld believed that the major power cable manufacturers in China will benefit from this trend. Their revenue growth will be enhanced by the increasing demand of power cables in next five years.

PRICES OF KEY RAW MATERIALS – COPPER AND ALUMINIUM

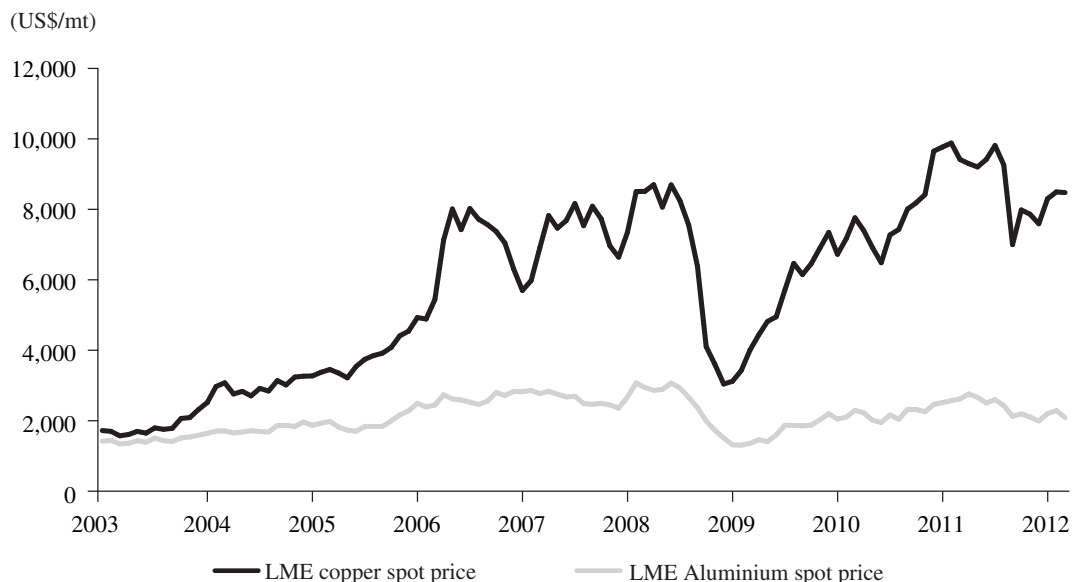
The wire and cable manufacturing industry is a major consumer of copper and aluminium, which are the fundamental raw materials for wires and cables production.

Copper prices have been volatile over the last several years. Due to inadequate supply of copper concentrate (the raw materials used in the production of copper) and as a result of inflation and strikes at copper mines, LME copper spot prices increased from approximately US\$1,700 per metric tonne in January 2003 to approximately US\$8,000 per metric tonne in May 2006, representing an increase of approximately 370.6%. Subsequently, as a result of deteriorating global demand amid the global financial crisis, copper spot price dropped by approximately 65.5% from approximately US\$8,700 in June 2008 to approximately US\$3,000 in December 2008. From 2009 to 2010, with a number of economic stimulus measures announced by various governments, including PRC, the US, Japan and Germany, LME copper spot price increased by more than 215%. On 14 February 2011, copper spot prices recorded an all-time high of US\$10,180 per metric tonne. Due to the European debt crisis and deep concerns about the prospects of the global economy, copper prices dropped significantly from August to October 2011, and reached an annual low of US\$6,722 per metric tonne on 20 October 2011, even though they have rebounded thereafter, copper prices remain volatile.

INDUSTRY OVERVIEW

Aluminium prices have been presenting less volatility. LME aluminium spot prices have been roughly fluctuating within the range of US\$1,250-3,300 per metric tonne since 2003. As with copper prices, aluminium prices have also dropped amid the global financial crisis, even though they have rebounded thereafter, aluminium prices remain volatile.

Spot Price Histories of Copper and Aluminium – LME⁽¹⁾



Source: Bloomberg, as of 31 March 2012

Note:

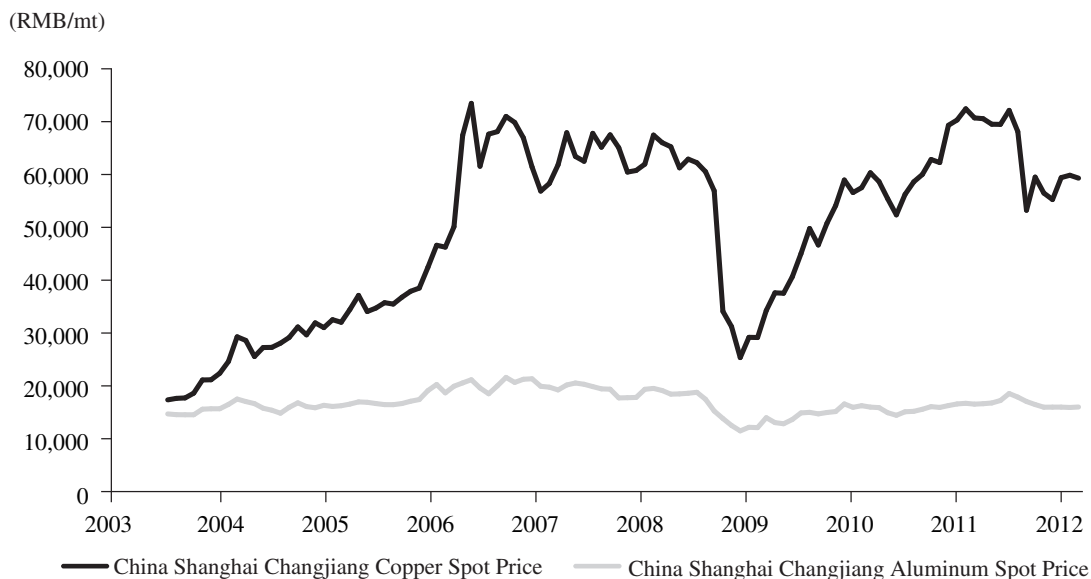
- (1) This represents the closing spot prices of copper and aluminium at the end of each month covered in the period, 1 January 2003 to 31 March 2012.

China is one of the major copper consumption countries in the world. China's spot copper prices have shown a similar trend to LME spot copper prices. But China's spot copper price reached its all-time high of RMB82,450 per metric tonne on 12 May 2006 due to strong domestic demand.

INDUSTRY OVERVIEW

China's spot aluminium prices have shown a similar trend to LME spot aluminium prices as well.

Spot Price Histories of Copper and Aluminium – China⁽²⁾



Source: Bloomberg, as of 31 March 2012

Note:

(2) This represents the closing spot prices of copper and aluminium at the end of each month covered in the period, 1 June 2003 to 31 March 2012. (The earliest data available is on 2 June 2003.)

IBISWorld

IBISWorld is an independent market research company that publishes professional research reports on industries across all major sectors. The report quoted in this Industry Overview section provides detailed analysis on the wire and cable manufacturing industry in the PRC.

REGULATORY OVERVIEW

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

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

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

1.1 PRC Laws Relating to Wholly Foreign-owned Enterprises

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

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

1.2 Procedures to Establish a Wholly Foreign-owned Enterprise

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

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1.3 The Distribution of the Dividends

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

2. Industry Regulations

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

2.1 Manufacturing Licence

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

2.2 Certification of China Compulsory Product Certification

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

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

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

2.3 Safety Sign Certificates of Products

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

2.4 Certification of Inflaming Retarding in Public and Using Component Mark

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

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2.5 Industrial Standards

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

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

3. Enterprise Income Tax Law

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

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

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

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

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

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

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

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

4.1 Environmental Protection Laws and Regulations

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

4.2 Occupational Health and Safety Laws and Regulations

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

4.3 Production Safety Certifications

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

5. Labour Laws

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

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

Under the Regulations on Paid Annual Leave, effective since 1 January 2008, employees who have worked continuously for more than one year are entitled to a paid vacation ranging from 5 to 15 days, depending on the length of the work time. Employees who consent to waive such vacation at the request of employers must be compensated an amount equal to three times their normal daily salaries for each vacation day being waived.

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

6. Laws and Regulations related to Intellectual Property Rights

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

6.1 Patent Law

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

6.2 Trademark Law

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

7. Laws and Regulations on Foreign Currency

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

7.1 Foreign Currency Exchange

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

Circular 142 regulates the conversion by a foreign-invested company of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Renminbi converted from the foreign currency denominated capital of a foreign-invested company may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC unless otherwise specifically provided for and not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Any violation may result in severe penalties, including substantial fines as set forth in the Foreign Exchange Administration Regulations.

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7.2 Foreign Exchange Registration

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

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

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

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

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

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

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

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

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

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

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

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

- The relationship between SA Asia Cable and its directors and shareholders is governed by the SA Companies Act and the common law in South Africa pertaining to companies;
- SA Asia Cable must, on an annual basis, lodge an annual return with the CIPC; otherwise it may be deregistered as a company;

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- The public is entitled to inspect the share register of SA Asia Cable. This affects our Group in that there is no confidentiality in respect of the shareholding of SA Asia Cable;
- SA Asia Cable may only make distributions to its shareholder(s) if the directors of SA Asia Cable are satisfied that the solvency and liquidity test in the SA Companies Act will be satisfied. This affects our Group in that there are restrictions imposed in the SA Companies Act as to when a company may pay dividends to shareholders;
- SA Asia Cable must keep proper accounting records in terms of the SA Companies Act and this may require costs to be incurred to accountants and auditors;
- SA Asia Cable may be found guilty of offences if it contravenes certain sections of the SA Companies Act, with concomitant liability for fines to be paid; and
- SA Asia Cable and its directors may be held liable to third parties for any losses or damages suffered by these third parties as a result of a contravention of the SA Companies Act by SA Asia Cable or its directors.

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

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

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

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

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

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

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

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

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

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

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

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

- an agreement between or among that person and one or more other persons for the supply or potential supply of any goods or services in exchange for consideration;
- the supply by that person of any goods to or at the direction of a consumer for consideration; or
- the performance by, or at the direction of, that person of any services for or at the direction of a consumer for consideration.

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

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

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

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

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

- the provision and maintenance of systems of work, plant and machinery that, as far as is reasonably practicable, are safe and without risks to health;
- taking such steps as may be reasonably practicable to eliminate or mitigate any hazard or potential hazard to the safety or health of employees, before resorting to personal protective equipment;
- making arrangements for ensuring, as far as is reasonably practicable, the safety and absence of risks to health in connection with the production, processing, use, handling, storage or transport of articles or substances;

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- establishing, as far as is reasonably practicable, what hazards to the health or safety of persons are attached to any work which is performed, any article or substance which is produced, processed, used, handled, stored or transported and any plant or machinery which is used in his business, and the employer must, as far as is reasonably practicable, further establish what precautionary measures should be taken with respect to such work, article, substance, plant or machinery in order to protect the health and safety of persons, and it must provide the necessary means to apply such precautionary measures;
- providing such information, instructions, training and supervision as may be necessary to ensure, as far as is reasonably practicable, the health and safety at work of its employees;
- as far as is reasonably practicable, not permitting any employee to do any work or to produce, process, use, handle, store or transport any article or substance or to operate any plant or machinery, unless appropriate or legally prescribed precautionary measures have been taken;
- taking all necessary measures to ensure that the requirements of the OHS Act are complied with by every person in its employment or on premises under its control where plant or machinery is used;
- enforcing such measures as may be necessary in the interest of health and safety;
- ensuring that work is performed and that plant or machinery is used under the general supervision of a person trained to understand the hazards associated with it and who have the authority to ensure that precautionary measures taken by the employer are implemented.

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

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

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

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

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

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

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

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

Taxation of South Africa

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

South Africa labour related legislation

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

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

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

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

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

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

Black Economic Empowerment

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

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

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

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

Environmental laws of South Africa

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

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

Exchange control of South Africa

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

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

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

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

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

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

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

Patents and trademarks in South Africa

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

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

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

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

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Measures Adopted to Ensure Future Compliance of Our Operations

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


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

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

HISTORY AND DEVELOPMENT

HISTORY AND DEVELOPMENT

Jiangnan Cable, our principal operating subsidiary and the major contributor to our results of operations during the Track Record Period, was established in February 2004. Upon incorporation, it had a registered capital of US\$10,000,000 and was wholly owned by Asia Cable. Asia Cable paid up such registered capital with funds paid by its shareholders.

In February 2004, in order to streamline the corporate structure, Jiangnan Cable entered into an agreement to acquire the assets and business of wires and cables, including the “” brand from Wuxi Jiangnan and such agreement was supplemented by a supplemental agreement entered into in April 2004. The consideration of such acquisition was RMB88,088,852.20, which was determined by reference to the evaluated value of certain assets and liabilities of Wuxi Jiangnan as at 31 December 2003 and the adjustment as a result of the change of inventory and short term loans after 31 December 2003. Such assets and liabilities comprised buildings, equipment, construction in progress, inventory and short term loans of Wuxi Jiangnan. Wuxi Jiangnan was established in 1997 to engage in the manufacturing and sales of wire and cable products. At the time of the acquisition, both Wuxi Jiangnan and Jiangnan Cable were under the control of Mr. Rui Fubin and Mr. Rui Yiping. Mr. Rui Fubin is the father of Mr. Rui Yiping.

Asia Cable, the holding company of Jiangnan Cable at the time of its establishment, was incorporated under the laws of Singapore in February 2004. As at 25 February 2004 (being the date of establishment of Jiangnan Cable), Asia Cable was held as to (i) 90% by Power Heritage which was then held equally by Mr. Rui Fubin and Mr. Rui Yiping; and (ii) 10% by Prestige Time, an Independent Third Party. In August 2004, Power Heritage transferred 7% of the entire issued share capital of Asia Cable to Active Capital, an Independent Third Party, at an agreed consideration of S\$1,134,599.2, which was determined by reference to the then registered capital of Jiangnan Cable of US\$10,000,000 paid up by Asia Cable as shareholder of Jiangnan Cable and the then shareholding of Active Capital in Asia Cable immediately after such transfer (i.e. 7% of Asia Cable). Upon completion of the transfer, Asia Cable was held as to (i) 83% by Power Heritage; (ii) 10% by Prestige Time; and (iii) 7% by Active Capital. To the best knowledge of our Directors, the shareholders of Prestige Time and Active Capital at the time when they were shareholders of Asia Cable were Mr. David Wang Xin and Mr. Jiang Liqun, respectively. Both Mr. David Wang Xin and Mr. Jiang Liqun were introduced to Mr. Rui Fubin, our chairman, chief executive officer and executive Director, by an acquaintance of Mr. Rui Fubin.

In April 2006, Prestige Time and Active Capital transferred all their respective shares in Asia Cable to Mr. Rui Yiping at the nominal consideration of S\$1 for each of the transfers, which was determined after taking into account that (i) only the par value of the shares in the total sum of S\$100, out of the subscription monies payable by Prestige Time in the amount of S\$1,620,856 (which was determined by reference to the then registered capital of Jiangnan Cable of US\$10,000,000 paid up by Asia Cable as the shareholder of Jiangnan Cable and the then shareholding of Prestige Time in Asia Cable immediately after such subscription (i.e. 10% of Asia Cable)) were paid by Prestige Time; and (ii) the agreed transfer price for the transfer

HISTORY AND DEVELOPMENT

of 7% of the entire issued share capital of Asia Cable from Power Heritage to Active Capital were not paid by Active Capital. As a result of the transfer, Asia Cable was held as to 17% by Mr. Rui Yiping personally and the remaining 83% by Power Heritage, which was in turn held by Mr. Rui Fubin and Mr. Rui Yiping equally.

In May 2006, Asia Cable transferred the entire equity interest in Jiangnan Cable at the consideration of US\$10,000,000 to Extra Fame, a company incorporated under the laws of BVI which was then held as to 83% by Power Heritage and 17% by Mr. Rui Yiping. The said consideration of US\$10,000,000 was determined by reference to the then registered capital of Jiangnan Cable and was settled by the issue and allotment of 9,999,999 shares in Extra Fame to Mr. Rui Yiping and Power Heritage. The equity interest of Jiangnan Cable was transferred from Asia Cable to Extra Fame, because Mr. Rui Fubin and Mr. Rui Yiping considered that it would be administratively easier to manage a holding company incorporated in the BVI, compared with a company incorporated in Singapore.

In April 2007, to cope with its continued business development, the registered capital of Jiangnan Cable was increased from US\$10,000,000 to US\$20,000,000 and its total investment amount was increased from US\$15,000,000 to US\$29,000,000. The additional registered capital was contributed by way of unappropriated profits of Jiangnan Cable.

Our Company considered that there were increasing business opportunities in the South African wire and cable market, and therefore SA Asia Cable was incorporated in June 2005 under the laws of South Africa and was held as to 40% by Mr. Rui Yiping, 30% by Mr. Dong Bocheng and 30% by Mr. Chu Hui as nominee shareholders. Mr. Rui Yiping is our executive Director, general manager (marketing and sales) and a Controlling Shareholder. Mr. Chu Hui is the son-in-law of Mr. Rui Fubin and brother-in-law of Mr. Rui Yiping. At that time, Mr. Chu Hui already had more than five years' experience in wire and cable industry in China. Taking into account of his experience and that our chairman could not physically be present in both the PRC and South Africa at all times, Mr. Chu Hui was assigned by Jiangnan Cable to oversee the establishment and operations of SA Asia Cable. Mr. Dong was introduced to Mr. Rui Fubin by a relative of Mr. Rui Fubin in 2003. Mr. Dong had engaged in South Africa commercial trade since 1995. As Mr. Rui Fubin considered that Mr. Dong was familiar with the South African market and had substantial experience in running business in South Africa, Mr. Rui Fubin invited Mr. Dong to join us to be a director of SA Asia Cable. Mr. Rui Yiping and Mr. Dong have been directors of SA Asia Cable since the incorporation of SA Asia Cable and Mr. Chu Hui was director of SA Asia Cable from the date of incorporation of SA Asia Cable to 11 January 2011. Save as otherwise disclosed in this prospectus, the nominee shareholders do not have any past or present relationship with us, our shareholders, directors, senior management, or any of their respective associates. Our Directors confirmed that it was the initial intention between the nominee shareholders and Jiangnan Cable that the nominee shareholders held the interests in SA Asia Cable since its incorporation on trust for Jiangnan Cable as beneficial owner. The trust arrangement was established to expedite the establishment of SA Asia Cable in 2005. As advised by our South African Legal Adviser, it was not required to register the equity trust agreement under South African laws. At the time when the trust arrangement was formed in June 2005, in order to expedite the investment in South Africa, Jiangnan Cable had

HISTORY AND DEVELOPMENT



failed to obtain the necessary approval from MOFCOM in the PRC for its foreign investment in SA Asia Cable (the “Relevant Approval”) and our PRC Legal Adviser has advised that there was irregularity in respect of Jiangnan Cable being a shareholder of SA Asia Cable under the PRC laws as Jiangnan Cable had made such foreign investment prior to the grant of the Relevant Approval. However, as advised by our PRC Legal Adviser, given that (i) the Relevant Approval was subsequently obtained in 2006, which had rectified the irregularity; (ii) there is no applicable PRC law currently in force that imposes punishment in respect of the aforesaid irregularity; and (iii) the legality and validity of Jiangnan Cable being a shareholder of SA Asia Cable was endorsed in the subsequent annual inspection filed by Jiangnan Cable with Yixing City Bureau of Commerce, Jiangnan Cable is a legal shareholder of SA Asia Cable.

On incorporation, SA Asia Cable was principally engaged in the sales of wires and cables. In 2007, we entered into a five-year master supply agreement with Eskom to supply conductor and thus established our first major customer base in South Africa. With certain products of our Group certified by SABS and being a supplier to Eskom, the Directors consider that SA Asia Cable is well-positioned to further build up its customer base in South Africa. In July 2007, in order to formalise the trust arrangement, Jiangnan Cable, as settlor, entered into an equity trust agreement with all the nominee shareholders of SA Asia Cable, namely Mr. Rui Yiping, Mr. Dong Bocheng and Mr. Chu Hui, collectively, as trustees. Pursuant to the said equity trust agreement, the parties agreed and confirmed that the entire issued share capital in SA Asia Cable was beneficially owned by Jiangnan Cable and was held in the names of Mr. Rui Yiping, Mr. Dong Bocheng and Mr. Chu Hui as trustees. Our PRC Legal Adviser has advised us that the said equity trust agreement, which was governed by the PRC laws, is legal, valid and enforceable. To formalise the shareholding structure of SA Asia Cable and for Jiangnan Cable to become the registered shareholder of SA Asia Cable, in August 2009, Mr. Rui Yiping, Mr. Dong Bocheng and Mr. Chu Hui transferred the legal interest in the entire issued share capital in SA Asia Cable to Jiangnan Cable at the consideration of ZAR400, ZAR300 and ZAR300, respectively, being the nominal value of the respective shares of SA Asia Cable. As a result of such transfers, Jiangnan Cable was registered as the sole shareholder of SA Asia Cable.

In November 2010, it was approved by the directors of Jiangnan Cable that the registered capital of Jiangnan Cable was increased from US\$20,000,000 to US\$50,000,000 and its total investment was increased from US\$29,000,000 to US\$75,260,000. Such proposed increase was approved by the approving authority on 6 December 2010. US\$10,000,000 of the increased registered capital was paid up in December 2010. The remaining balance of US\$20,000,000 of the increased registered capital is required to be paid up by 5 December 2012. As at the Latest Practicable Date, such remaining balance had not been paid up and is expected to be paid up in the fourth quarter of 2012 through our internal resources.

HISTORY AND DEVELOPMENT


The following highlights the significant development milestones in our history of corporate and operational development to date:

Date	Milestones
August 1997	Wuxi Jiangnan was established.
March 1998	The “  ” brand was registered under Wuxi Jiangnan.
August 2002	Wuxi Jiangnan had capabilities to produce cross-linked power cables.
February 2004	Jiangnan Cable was established under the PRC laws. Jiangnan Cable entered into an agreement with Wuxi Jiangnan to acquire its wire and cable assets and business, including the “  ” brand.
August 2004	Our XLPE power cables were accredited as China Famous Products (September 2004 – October 2008) (中國名牌產品 (2004年9月至2008年10月)) by the General Administration of Quality, Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局).
June 2005	SA Asia Cable was established under the laws of South Africa.
August 2005	We commenced production of ACSR cables.
December 2005	Our products were accredited as National Free of Inspection Products (2005-2008) (國家免檢產品 (2005年至 2008年)) by the General Administration of Quality, Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局).
August 2006	Nuclear power plant cables manufactured by us passed the tests conducted by China National Centre for Quality Supervision and Test of Electric Wire and Cable (國家電線電纜質量監督檢驗中心).

HISTORY AND DEVELOPMENT

Date	Milestones
December 2006	Our “  ” brand was recognised as Jiangsu Province Renowned Trademark (江蘇省著名商標) by Jiangsu Administration for Industry and Commerce (江蘇省工商行政管理局).
September 2007	Jiangnan Cable was accredited as Key High Technology Enterprise under the State Torch Program (國家火炬計劃重點高新技術企業) by Torch High Technology Industry Development Centre, Ministry of Science and Technology (科學技術部火炬高技術產業開發中心) in the PRC.
December 2007	Our products were accredited as Customer Satisfaction Products (用戶滿意產品) by China Association for Quality (中國質量協會) and National Committee for Customers (全國用戶委員會).
May 2008	We obtained the National Laboratory Accreditation Certificate (國家實驗室認可證書) granted by China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會).
July 2009	We established a research workstation (院士工作站) for research with members of the China Academy of Engineering (中國工程院) and China Academy of Sciences (中國科學院) in wire and cable technology.
January 2010	Our “  ” brand was recognised as a China Well-known Trademark (中國馳名商標) by the Trademark Office of the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局).
August 2010	We established a state postdoctoral research workstation (國家級博士後工作站).

HISTORY AND DEVELOPMENT

Date	Milestones
December 2010	<p>Jiangnan Cable was accredited as Key High Technology Enterprise under the revised standard of the State Torch Program (國家火炬計劃重點高新技術企業) by Torch High Technology Industry Development Center, the Ministry of Science and Technology (科學技術部火炬高技術產業開發中心) in the PRC (with a validity period of three years).</p> <p>We commenced production of high voltage cables with rated voltage of 110kV.</p> <p>Jiangnan Cable was accredited as an Electrical Wire and Cable Export Base Enterprise of Jiangsu Province (江蘇省電線電纜出口基地企業) by the Department of Commerce, Jiangsu Province (江蘇省商務廳).</p> <p>Our “” brand for our cables and wires was accredited as a Jiangsu Famous Brand (December 2010 – December 2013) (江蘇名牌產品證書(2010年12月至2013年12月)) by the Jiangsu Commission for Brand Promotion Strategy (江蘇省名牌戰略推進委員會).</p>
March 2011	<p>Jiangnan Cable was accredited as Key High Technology Enterprise of Yixing under the State Torch Program (國家火炬計劃宜興電線電纜產業基地骨幹企業) by Torch High Technology Industry Development Centre, the Ministry of Science and Technology (科學技術部火炬高技術產業開發中心) in the PRC.</p>
October 2011	<p>We commenced commercial production of high and ultra-high cables with rated voltage of 220~500kV (220~500kV高壓及超高壓電纜) with production capacity of approximately 1,000 km.</p>

PRE-IPO INVESTMENT

Pursuant to the Investment Agreement, 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 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.

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The details of the subscription by the investors pursuant to the Investment Agreement are as follows:

Names of investors	:	Furui Investments	Sinostar
Number of shares in Extra Fame subscribed by the investors	:	241,127 shares	197,286 shares
Total consideration	:	US\$5,500,000	US\$4,500,000
Payment date	:	23 November 2010	23 November 2010
Number of Shares held by the investors upon Listing	:	27,720,000 Shares	22,680,000 Shares
Percentage of shareholding of the investors immediately upon completion of the Global Offering and the Capitalisation Issue (<i>note 1</i>)	:	1.80%	1.47%
Effective purchase cost per Share	:	US\$0.20 (equivalent to approximately HK\$1.55)	US\$0.20 (equivalent to approximately HK\$1.55)
Discount (<i>note 2</i>)	:	24.39%	24.39%

Notes:

1. It was based on that 338,600,000 New Shares would be issued under the Global Offering (assuming the Over-allotment Option is not exercised) and 1,190,000,000 Shares would be issued under the Capitalisation Issue.
2. It was based on the maximum Offer Price of HK\$2.05.

There are no special rights attached to the shares of Extra Fame owned by Furui Investments and Sinostar.

The shareholders of each of Furui Investments and Sinostar, namely Mr. Wang Fucui and Mr. Ng Cher Yew, respectively, were the personal friends of Mr. Rui Fubin, our Chairman, chief executive officer and executive Director and had showed interest in investing in us. To the best knowledge and belief of the Directors, Furui Investments and Sinostar invested in us because of their belief on our growth potential and prospects.

The subscription price was determined by the parties by reference to the agreed price-to-earnings ratio and the then expected net profit of Extra Fame and its subsidiaries for the year ended 31 December 2010, and was totally settled by Furui Investments and Sinostar in November 2010. The proceeds from the above investment by Furui Investments and Sinostar have been used by Extra Fame to pay up the increased portions of the registered capital of

HISTORY AND DEVELOPMENT

Jiangnan Cable. 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 and such shares ranked pari passu among other issued shares of Extra Fame.

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

The Shares held by Furui Investments and Sinostar are not subject to any non-disposal undertaking.

Furui Investments is a company incorporated under the laws of BVI on 11 August 2006, the entire share capital of which is owned by Mr. Wang Fucui, and its principal business activity is investment holding. Furui Investments is the controlling shareholder of Real Nutraceutical Group Limited (瑞年國際有限公司), the shares of which are listed on the Main Board (stock code: 2010); and neither Furui Investments nor Mr. Wang Fucui has been involved in any other pre-IPO investment, save for the investment in our Company. Other than being a Shareholder, Furui Investments has no past or present relationship with us, our Shareholders, our Directors, senior management or any of their respective associates.

Sinostar is a company incorporated under the laws of the Cayman Islands on 6 September 2006, the entire share capital of which is owned by Mr. Ng Cher Yew and its principal business activity is investment holding. As advised by Mr. Ng Cher Yew, Sinostar has not been involved in any pre-IPO investment save for the investment in our Company. However, Mr. Ng Cher Yew has invested in other pre-IPO investments in the companies listed on the Singapore Exchange Securities Trading Limited (“SGX”), including (i) China Food Industries Limited (presently known as Iconic Global Limited), a company incorporated in Singapore by direct investment and delisted on the SGX with effect from 8 October 2008; (ii) Oriental Food (Holdings) Ltd. (presently known as Oriental Group Ltd.), a company incorporated in Singapore by investment via Sieger Capital Limited and Springboard Partners Limited, both of which were companies incorporated in the BVI in which Mr. Ng Cher Yew was a shareholder; and (iii) Comat Industrial Ltd. (presently known as China Haida Ltd.) via Sieger Capital Limited, as per their respective prospectus dated 15 September 2003, 8 November 2004 and 8 November 2004, respectively. Other than being a Shareholder, Sinostar has no past or present relationship with us, our Shareholders, our Directors, senior management or any of their respective associates. Other than being a Shareholder, Mr. Ng Cher Yew has no business relationship with us and other connected persons of our Company.

HISTORY AND DEVELOPMENT

Our Directors confirm that the Investment Agreement with Furui Investments and Sinostar was entered into on normal commercial terms.

THE REORGANISATION

We underwent the Reorganisation to rationalise our structure in preparation for the Listing. As a result, our Company became the holding company of our Group. Below are the major steps of the Reorganisation:

(a) Incorporation of our Company

On 4 January 2011, our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability with an authorised capital of HK\$100,000 divided into 10,000,000 Shares. Upon incorporation, one nil-paid Share was issued and allotted to Codan Trust Company (Cayman) Limited and such share was then transferred to Power Heritage on 4 January 2011.

(b) Incorporation of Jiangnan Cable (HK) and its acquisition of Jiangnan Cable

On 15 December 2010, Jiangnan Cable (HK) was incorporated under the laws of Hong Kong as a limited liability company with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Upon incorporation, one share was allotted and issued to Extra Fame at par.

On 20 December 2010, Extra Fame and Jiangnan Cable (HK) entered into an equity transfer agreement, pursuant to which Extra Fame transferred the entire equity interest of Jiangnan Cable to Jiangnan Cable (HK) at the consideration of US\$30,000,000. Such consideration was satisfied by Jiangnan Cable (HK) issuing and allotting nine new shares credited as fully paid to Extra Fame.

We have notified the relevant lenders of this change of shareholder of Jiangnan Cable in accordance with the restrictive covenants in certain loan agreements entered into by our Group which require us to inform the lenders change of shareholder of Jiangnan Cable.

(c) Investment in Extra Fame by Furui Investments and Sinostar

On 15 September 2005, Extra Fame was incorporated under the laws of the BVI. Upon incorporation, the authorised share capital of Extra Fame was US\$50,000 divided into 50,000 shares of US\$1 each and one subscriber share was issued and allotted to OIL Officers Limited.

On 14 December 2005, the one subscriber share of US\$1 was transferred to Mr. Rui Fubin.

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On 20 March 2006, the authorised capital of Extra Fame was increased from US\$50,000 to US\$10,000,000. On the same date, Mr. Rui Fubin transferred the one share of Extra Fame to Mr. Rui Yiping, and Extra Fame issued 1,699,999 and 8,300,000 new shares to Mr. Rui Yiping and Power Heritage, respectively.

On 14 January 2011, Extra Fame issued 241,127 and 197,286 new shares to Furui Investments and Sinostar, respectively. Details of the allotment was described in the paragraph headed “Pre-IPO investment” in this section.

(d) Share transfer of Extra Fame and allotments of shares in Power Heritage

On 14 January 2011, Mr. Rui Yiping, a director of Power Heritage who owned 50% of the then issued share capital of Power Heritage at that time, transferred 1,700,000 shares of US\$1.00 each in Extra Fame (representing 17% of the issued share capital of Extra Fame) to Power Heritage in consideration for allotment of 16 shares in Power Heritage. As a result, Mr. Rui Yiping holds 17 shares of Power Heritage in total. On the same date, Power Heritage allotted 82 shares to Mr. Rui Fubin, a director of Power Heritage who owned 50% of the then issued share capital of Power Heritage at that time. As a result, Mr. Rui Fubin holds 83 shares of Power Heritage in total. The abovementioned allotments to Mr. Rui Yiping and Mr. Rui Fubin resulted in Mr. Rui Yiping’s interests in Power Heritage decreased from 50% to 17% whilst Mr. Rui Fubin’s interests in Power Heritage increased from 50% to 83%. The abovementioned allotments and share transfer were effected to implement the intended Group structure (i.e. Mr. Rui Fubin will hold 83% interests in Power Heritage and Mr. Rui Yiping will hold 17% interests in Power Heritage, while both of them will hold interests in Extra Fame via Power Heritage and will not hold any direct interest in Extra Fame). The consideration for such allotments and share transfer was determined based on the fact that those were redistribution of assets among family members owning our Company.

(e) Increase of authorised share capital of our Company

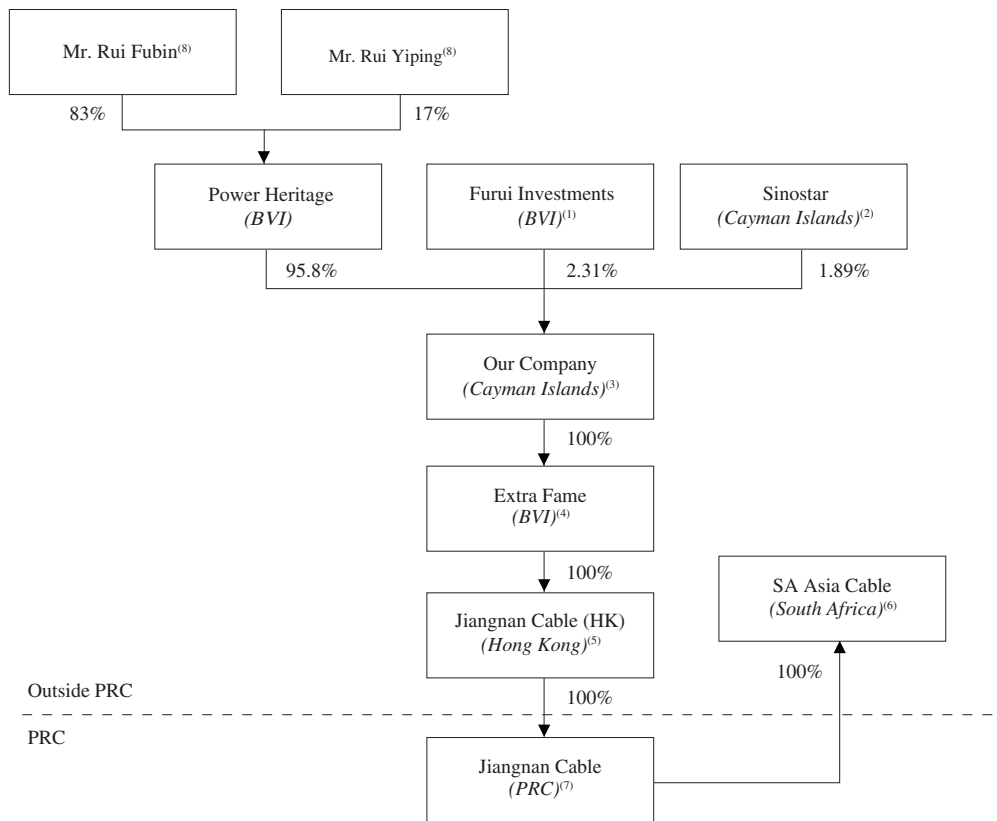
On 25 February 2012, by resolutions in writing of our then sole Shareholder, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares.

(f) Acquisition of Extra Fame by our Company

As part of the Reorganisation, on 25 February 2012, all the then shareholders of Extra Fame, namely, Power Heritage, Furui Investments and Sinostar, entered into a share purchase agreement with our Company, pursuant to which the then shareholders of Extra Fame transferred the entire issued share capital of Extra Fame to our Company. As the consideration of the acquisition, our Company, on 25 February 2012, issued and allotted 9,579,999, 231,000 and 189,000 new Shares to Power Heritage, Furui Investments and Sinostar, respectively, and credited the nil-paid Share held by Power Heritage as fully paid. As a result, our Company was held as to 95.8% by Power Heritage, 2.31% by Furui Investments and 1.89% by Sinostar.

HISTORY AND DEVELOPMENT

The following chart shows our corporate structure immediately upon completion of the Reorganisation:



Notes:

- (1) The entire issued share capital of Furui Investments is owned by Mr. Wang Fucui.
- (2) The entire issued share capital of Sinostar is owned by Mr. Ng Cher Yew.
- (3) The principal business activity of our Company is investment holding.
- (4) The principal business activity of Extra Fame is investment holding.
- (5) The principal business activity of Jiangnan Cable (HK) is investment holding.
- (6) The principal business activity of SA Asia Cable is trading of wires and cables.
- (7) The principal business activities of Jiangnan Cable is manufacturing and trading of wires and cables.
- (8) Mr. Rui Fubin is the father of Mr. Rui Yiping.

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According to the M&A Rules, where a domestic natural person intends to take over his/her related domestic company by an offshore company lawfully established or controlled by him/her, the takeover shall be subject to the examination and approval of MOFCOM; and where a domestic company or natural person holds equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to approval of the CSRC.

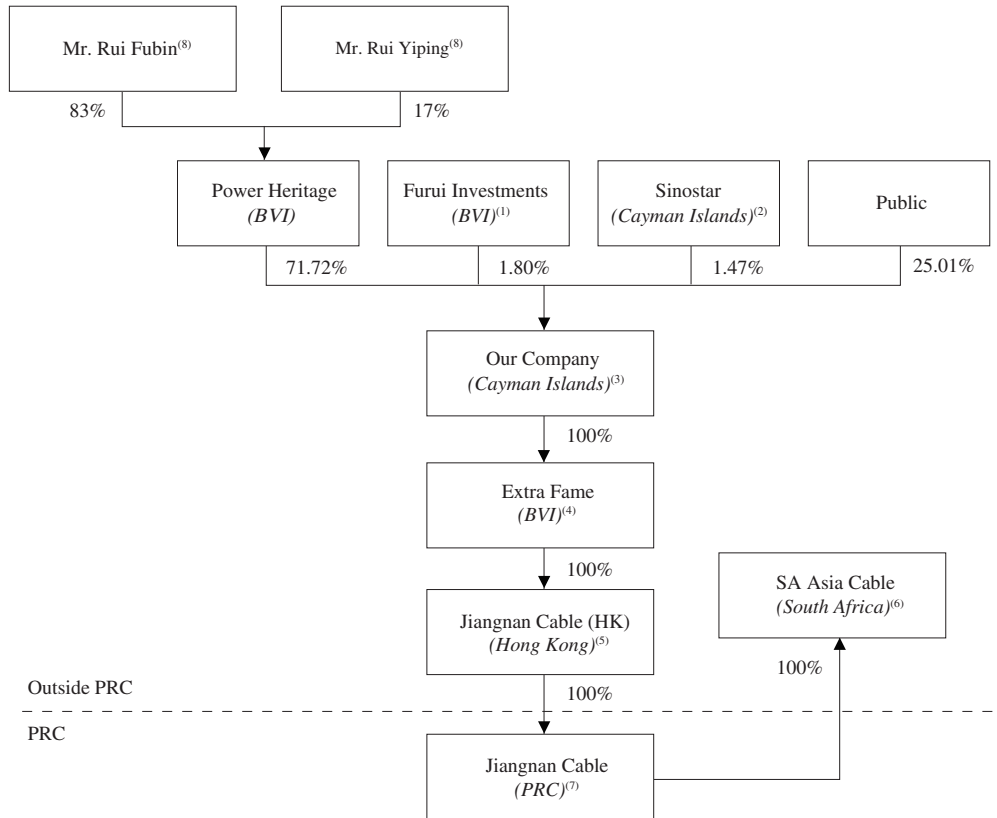
Our PRC Legal Adviser is of the opinion that the Reorganisation and the Global Offering have complied with all relevant PRC laws and regulations and that the M&A Rules is not applicable because prior to the acquisition of Jiangnan Cable by our Company, Jiangnan Cable was already a foreign invested enterprise. We are not required to obtain any approval by the CSRC or the MOFCOM regarding the Reorganisation and the Global Offering. As further advised by our PRC Legal Adviser, three of the ultimate beneficiaries of our Company who are PRC residents as defined under the SAFE Circular No.75, namely Mr. Rui Fubin, Mr. Rui Yiping and Mr. Wang Fucai have completed the necessary foreign exchange registration with the local foreign exchange authority in accordance with the SAFE Circular No.75.

Further details of the Reorganisation are set out in the sub-paragraph headed “Reorganisation” in the paragraph headed “Further information about our Company and the subsidiaries of our Group” in Appendix V to this prospectus.

HISTORY AND DEVELOPMENT

CORPORATE STRUCTURE

The following chart shows our corporate structure upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and the Capitalisation Issue:




Notes:

- (1) The entire issued share capital of Furui Investments is owned by Mr. Wang Fucai.
- (2) The entire issued share capital of Sinostar is owned by Mr. Ng Cher Yew.
- (3) The principal business activity of our Company is investment holding.
- (4) The principal business activity of Extra Fame is investment holding.
- (5) The principal business activity of Jiangnan Cable (HK) is investment holding.
- (6) The principal business activity of SA Asia Cable is trading of wires and cables.
- (7) The principal business activities of Jiangnan Cable are manufacture and trading of wires and cables.
- (8) Mr. Rui Fubin is the father of Mr. Rui Yiping.

OVERVIEW

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

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

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

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

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

BUSINESS

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

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths:

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


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

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

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

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

We have a strong brand in the industry

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

We have strong research and development capabilities

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

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

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

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

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

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

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

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

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

We are an experienced manufacturer with large scale operations

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

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

We have a successful track record of entering into overseas markets

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

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

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

We have an experienced management team

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

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

OUR BUSINESS STRATEGIES

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

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

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

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

Develop selected overseas markets with growth potential

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

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

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

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

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

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

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Explore strategic opportunities

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

PRINCIPAL PRODUCTS

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

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

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

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Products

Currently, we primarily manufacture and sell the following products:

Power cables

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

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

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Wires and cables for electrical equipment

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

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

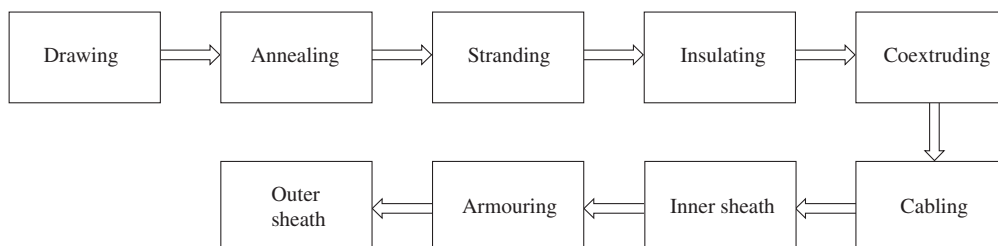
Bare wires

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

Production Process

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

Power cable and wires and cables for electrical equipment



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

Drawing

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

Annealing

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

Stranding

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

Insulating

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

Coextruding

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

Cabling

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

Inner sheath

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

Armouring

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

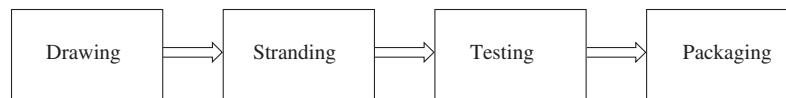
Outer Sheath

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

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

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

Bare wire



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

Drawing

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

Stranding

Several aluminium, copper or steel wires are stranded together.

Testing and packaging

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

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

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PRODUCTION FACILITIES

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

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

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

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

Notes:

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

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

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

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

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

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

Construction of manufacturing facility in South Africa

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

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

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

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

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

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

Construction of production facilities for aluminium alloy and double capacity conductors

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

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

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

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

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

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

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

CUSTOMERS

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

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

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

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

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

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

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

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

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

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

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

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

PROCUREMENT AND SUPPLIERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SALES AND MARKETING

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

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

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

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

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

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

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

QUALITY CONTROL

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

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

(a) Supplier qualification

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

(b) Raw material inspection and testing

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

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

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

(c) Production quality control

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

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

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

(d) Final inspection and testing

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

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

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

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

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

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

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

AWARDS AND CERTIFICATIONS

Awards

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

Some of our significant awards are summarised as follows:

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

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

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

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Certifications

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

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

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

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

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

RESEARCH AND DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SAFETY

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

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

ENVIRONMENTAL PROTECTION

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

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

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

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

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

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

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

INSURANCE

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



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

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

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INTELLECTUAL PROPERTY

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

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

As at the Latest Practicable Date, we had registered 53 patents that are material to our business in the PRC and were in the process of applying for 15 additional patents in the PRC. For details of our patents, please refer to the sub-paragraph headed “Intellectual property rights” in the paragraph headed “Further information about the business of our Company” in Appendix V to this prospectus.

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

PROPERTIES

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

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

In addition, we have 17 buildings with a total gross floor area of approximately 2,242.9 sq.m. without building ownership certificates. In accordance to the relevant PRC laws and regulations, a building ownership certificate can only be issued upon submission of certain documents in respect of the subject building (including but not limited to the land use right certificate (房屋用地土地使用權證), planning permit on land for construction use (建設用地規劃許可證), construction project planning permit (建設工程規劃許可證), building construction permit (<建設工程>施工許可證) and public inspection report (竣工驗收報告)). As such documents must be obtained at the time when the building is under construction and we did not

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obtain the relevant documents in respect of the 17 buildings at the time when such buildings were being built, we are not able to obtain these building ownership certificates and we would not be able to transfer, lease or pledge these buildings to third parties. Our PRC Legal Adviser also advised that we may be required to demolish these 17 buildings by the relevant authorities. As these buildings are used for storage or other non-production related ancillary purposes and the total gross floor area of such buildings accounts for only 1.4% of our total building areas, we do not expect the demolition of these 17 buildings to have a material effect on our operations. Our Directors confirm that these 17 buildings are not crucial to our operations.

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

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

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

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

NON-COMPLIANT BILL FINANCING WITH SUPPLIERS

Background

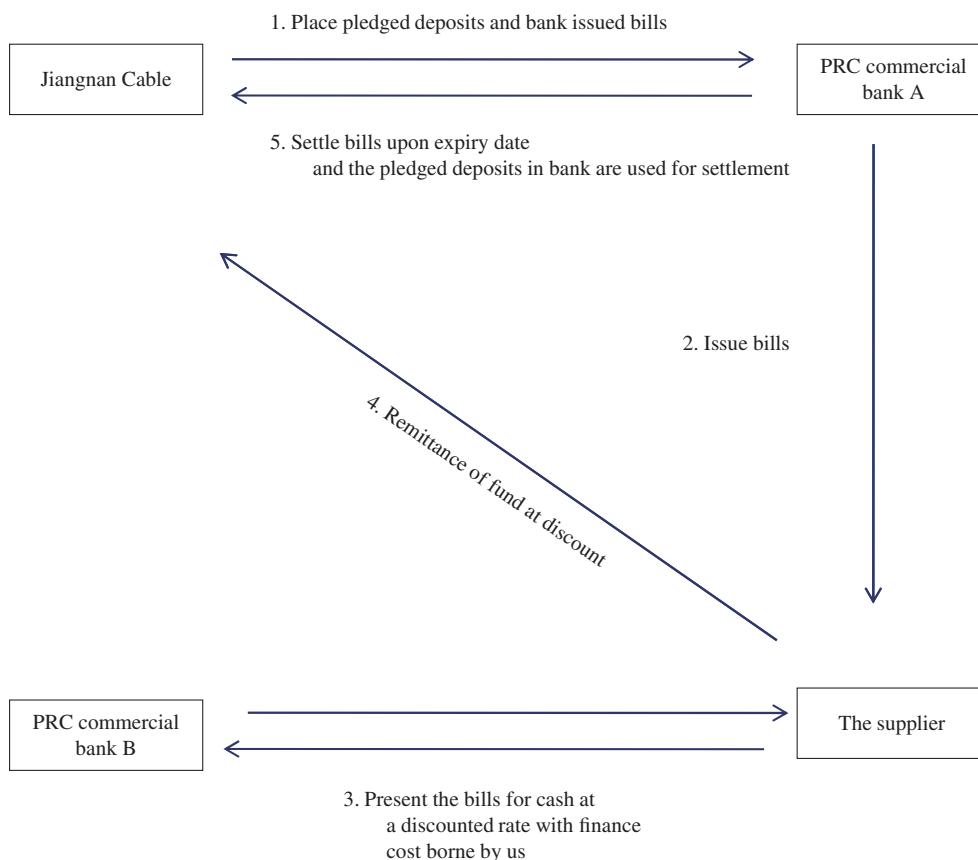
(i) Non-compliant bank bills

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

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

The diagram below illustrated the flows of the bank bills:



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

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

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

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

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

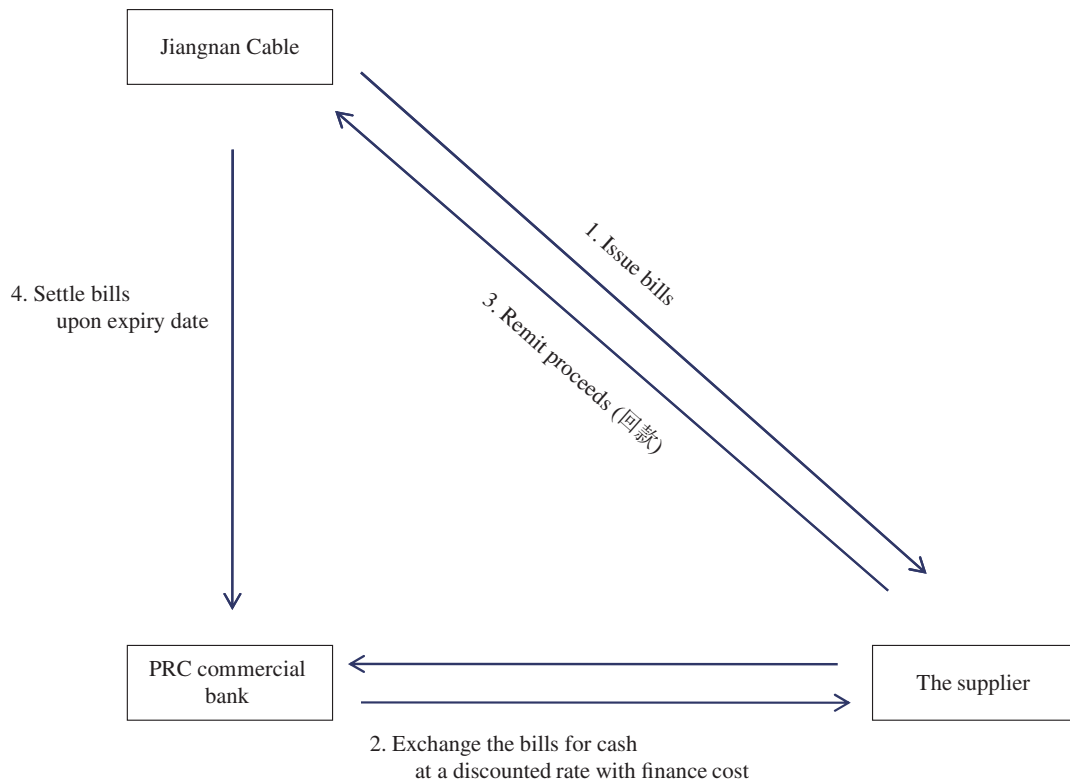
During the two years ended 31 December 2010, bank bills issued carried interests ranging from approximately 1.76% to 2.54% and 4.08% per annum, respectively. The interest expenses associated with these bills amounted to approximately RMB10.6 million and RMB3.8 million by Jiangnan Cable.

(ii) Non-Compliant commercial bills

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

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The diagram below illustrated the flows of the commercial bills:



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

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

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

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

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

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

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

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

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

Effect on Our Financial Position

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

BUSINESS

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

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

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

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

Confirmation from Regulatory Authorities, Relevant Banks and our Directors

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

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

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

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

BUSINESS

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

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

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

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

Opinion of the PRC Legal Adviser

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

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

Strengthening our internal control systems

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

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

Internal control review in December 2010

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

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

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

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

BUSINESS

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

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

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

Internal control review in November 2011

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

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

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

BUSINESS

Key internal control measures implemented by us

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

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

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

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

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

(3) Disciplinary actions for non-compliance

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

(4) Training

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

BUSINESS

(5) Regular internal review and reporting process

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

(6) External independent review

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

(7) Disclosure in annual report

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

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

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

Indemnity from Controlling Shareholders

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

BUSINESS

COMPETITION

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

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

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

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

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

REGULATORY COMPLIANCE

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

BUSINESS

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

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

LEGAL PROCEEDINGS

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

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

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

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

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue, Power Heritage, which is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping, will be beneficially interested in approximately 71.72% of our issued share capital (assuming that the Over-allotment Option is not exercised). Power Heritage, Mr. Rui Fubin and Mr. Rui Yiping will be our Controlling Shareholders.

Neither Power Heritage, Mr. Rui Fubin nor Mr. Rui Yiping controls or conducts any business which competes, or is likely to compete, with our business. Our Directors are satisfied that we can carry on our business independently of our Controlling Shareholders following the Listing for the following reasons:

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors are of the view that we are capable of carrying on its businesses independently of our Controlling Shareholders (including any associate thereof) after the Listing.

Management Independence and Operational Independence

We hold all relevant licences necessary to carry on our businesses, and have sufficient capital, equipment and employees to operate our businesses independently of any of our Controlling Shareholders.

Our management and operational decisions are made by our executive Directors and senior management, who have served us for a long time and have substantial experience in the industry. Further, our four independent non-executive Directors will bring independent judgment to the decision making process of our Board.

We have not shared our operational resources, marketing, sales and other general resources with the Controlling Shareholders and/or their associates. We have independent access to our customers and suppliers. As at the Latest Practicable Date, there were no significant business transactions between us and any of our Controlling Shareholders. Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of management and business operations.

Administrative Independence

We have our own capabilities and personnel to perform all essential administrative functions including financial and accounting management and inventory management. We do not share any administrative functions with our Controlling Shareholders.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Financial Independence

We have our own financial management system and the ability to obtain financing independently from our Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS

Each of Power Heritage, Mr. Rui Fubin and Mr. Rui Yiping as covenantor (each a “Covenantor” and collectively, “Covenantors”) executed the Deed of Non-competition in favour of us on 25 February 2012 undertaking that:

- (a) he/it shall not, and shall procure each of his/its associates not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, whether for profit or not, carry on, engage, invest, be interested or involved or engaged in, acquire or hold any rights or interest, or otherwise involved in any business in the PRC or any other parts of the world which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by any member of our Group (including but not limited to manufacture and sales of cables and wires for power transmission systems and a wide range of industries in the PRC or South Africa) (“Restricted Business”);
- (b) if he/it and/or any of his/its associates is offered of any project or new business opportunity that relates to the Restricted Business, whether directly or indirectly, he/it shall: (i) promptly notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to our Company or one of its subsidiaries on terms no less favourable than the terms on which such opportunity is offered to such Covenantor and/or his/its associates;
- (c) if he/it and/or any of his/its associates becomes aware of any project or new business opportunity that relates to the Restricted Business, whether directly or indirectly, he/it shall promptly notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity;
- (d) he/it will not solicit any of our existing or previous employee of our Group for employment by it or its associates (excluding us);
- (e) he/it will not without the consent from our Company, make use of any information pertaining to our business which have or may have come to his/its knowledge in his/its capacity as the controlling shareholder and/or Director for any purposes;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (f) he/it will provide to our Company and our Directors (including our independent non-executive Directors) from time to time with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings in it and to make an annual declaration on compliance with the undertakings contained therein in the annual reports of our Company;
- (g) he/it will allow our Directors, their respective representatives and the auditors of our Company to have sufficient access to his/its records and the records of his/its associates to ensure their compliance with the terms and conditions under the Deed of Non-competition; and
- (h) (if necessary) within 30 days after the end of each financial year of our Company, he/it shall make a declaration which shall state whether or not he/it has during that financial year complied with the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosures in the section headed “Corporate Governance Report” of the annual reports prepared in accordance with the requirements of the Listing Rules from time to time.

The Deed of Non-competition does not apply to:

- (a) the holding of shares or other securities issued by our Company or any of its subsidiaries from time to time;
- (b) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are listed on a recognised stock exchange and that the aggregate interest of the relevant Covenantor and his/its associates (as “interest” is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the relevant issued share capital of the company concerned;
- (c) the investment, participation or engagement of the relevant Covenantor or their associates (excluding our Group) in a Restricted Business (the principal terms of which have been disclosed to our Company and our Directors) which our Company has agreed in writing to such investment, participation or engagement, following a decision by our independent non-executive Directors to allow such investment, participation or engagement subject to any conditions our independent non-executive Directors may require to be imposed; or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) the involvement, participation or engagement of the relevant Covenantor or their associates (excluding our Group) in any Restricted Business or any project or business opportunity, regardless of value, which has been offered or made available to us but has been rejected or declined by us provided that (aa) the decision to reject or decline is made after review and approval by our independent non-executive Directors based on (i) the profitability of such project or business opportunity, (ii) the resources of our Company required for carrying out such project or business opportunity, (iii) the relevant expertise required in such project or business opportunity, and (iv) the effect on our Company's business and competitiveness if such project or business opportunity is not taken up by our Company but by the relevant Covenantor; (bb) the principal terms on which that relevant Covenantor or the relevant associate invests, participates or engages in such project or business opportunity are substantially the same as or not more favourable than those disclosed to our Company; (cc) the investment, participation and/or engagement by the relevant Covenantor or the relevant associate in such project or business opportunity shall be subject to any conditions that may be imposed by our independent non-executive Directors; and (dd) the information and the principal terms of such project or business opportunity have been disclosed to our Company and our Directors.

In respect of sub-paragraphs (c) and (d) above, there is no specific time limit imposed on us to decide whether to accept any new business opportunities, as we are of the view that such time limitation poses a restriction on us and would not be in our best interest. In deciding whether to accept any new business opportunities, we expect that we will consider the business prospects, development, our performance, the potentials of the new opportunities, the funds required, our financial resources, the market conditions etc, at the relevant times.

If our Company rejects any project or business opportunity as notified by the Covenantors under the Deed of Non-competition as mentioned above, our Company will include details of such rejection and basis thereof in the annual report of our Company for the relevant financial year.

It has been provided in the Deed of Non-competition that if the relevant Covenantor or his/its relevant associate decides to invest, be engaged, or participate in the Restricted Business, whether directly or indirectly, he/it shall disclose the terms of such investment, engagement or participation to us and our Directors as soon as practicable.

The Deed of Non-competition and the rights and obligations thereunder are conditional on the conditions stated in the paragraph headed "Conditions of the Hong Kong Public Offer" in the section headed "Structure of the Global Offering" of this prospectus being fulfilled and will take effect immediately upon Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

The Deed of Non-competition will remain in effect in respect of any Covenantor until the earlier of:

- (a) the day on which our Shares cease to be listed on the Main Board or other recognised stock exchange; or
- (b) the day on which the relevant Covenantor ceases to be a Director, or the day on which the relevant Covenantor and his/its associates, individually or taken as a whole, cease to own or hold 5% or more of the entire issued Shares, whichever is later.

Each of the Covenantors also represented and warranted to us in the Deed of Non-competition that neither it/he nor any of its/his associates is currently interested, involved or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business other than through us.

As the Covenantors have given non-competition undertakings in favour of us, and none of them have interests in other businesses that compete or are likely to compete with our business, our Directors are of the view that we are capable of carrying on our business independently of the Covenantors following the Listing.

As at the Latest Practicable Date, none of the Covenantors and our Directors had interests in any business which competes or is likely to compete with our business.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board currently consists of eight Directors, including four executive Directors and four independent non-executive Directors.

<u>Name of Directors</u>	<u>Title</u>
Rui Fubin (芮福彬)	Chairman, chief executive officer and executive Director
Rui Yiping (芮一平)	General manager (marketing and sales) and executive Director
Xia Yafang (夏亞芳)	Executive vice president and executive Director
Jiang Yongwei (蔣永衛)	Vice president and executive Director
He Zhisong (何植松)	Independent non-executive Director
Wu Changshun (吳長順)	Independent non-executive Director
Yang Rongkai (楊榮凱)	Independent non-executive Director
Poon Yick Pang Philip (潘翼鵬)	Independent non-executive Director

Executive Directors

Mr. Rui Fubin (芮福彬), aged 63, was appointed as our Director on 4 January 2011, appointed as our Chairman and chief executive officer on 25 February 2012 and will become our executive Director with effect from the Listing Date. Mr. Rui is primarily responsible for the formulation of our development strategies and supervision of our overall business and operation management. Mr. Rui has over 25 years of experience in the wire and cable industry in the PRC. Since March 2004, Mr. Rui has been the chairman of Jiangnan Cable and been responsible for overall management of production, operation, sales and administration matters in the Company. From August 1997 to February 2004, he was the chairman of Wuxi Jiangnan. He has been a director of Extra Fame since December 2005, a director of Jiangnan Cable (HK) since December 2010 and a director of Jiangnan Cable and Power Heritage since February 2004. From May 1994 to October 1998, he was the deputy mayor of Guanlin Town People's Government of Yixing City. From January 1989 to January 1995, Mr. Rui was the factory director of Wuxi City Jiangnan Cable Factory (無錫市江南電纜廠) and played a role in the overall management of the factory. From January 1982 to December 1988, Mr. Rui was the director of Yixing City Guanlin Society Welfare Factory (宜興市官林社會福利廠), a company partially engaged in the production and sales of wire and cable. Mr. Rui completed two-year's adult education in the Nanjing University of Finance and Economics (南京財經大學) (formerly known as Jiangsu Cadre's Institute of Economic and Management (江蘇經濟管理幹部學院)) on a part-time basis in May 1992, majoring in industrial economic management. Mr. Rui was qualified as a senior economist (高級經濟師) by the Jiangsu Province Personnel Department (江蘇省人事廳) in November 2007.

Mr. Rui has obtained several awards, including China Outstanding Entrepreneur (中國優秀企業家) by the China Enterprise Culture Improvement Association (中國企業文化促進會), The Fifth China Township Entrepreneur Award (第五屆全國鄉鎮企業家) by the Ministry of Agriculture of PRC (中華人民共和國農業部) and Top Ten Headline Figures of China Economy (中國經濟十大新聞人物) by the Economic Daily (經濟日報) in 2004. Mr. Rui is the father of our executive Director and general manager (marketing and sales), Mr. Rui Yiping. Mr. Rui is the uncle of the spouse of Mr. Jiang Yongwei, our executive Director and vice president.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Rui Yiping (芮一平), aged 32, was appointed as our Director on 4 January 2011, appointed as our general manager (marketing and sales) on 25 February 2012 and will become our executive Director with effect from the Listing Date. Mr. Rui is responsible for our sales operation. He has over 12 years of experience in wire and cable industry in the PRC. Since March 2004, Mr. Rui has been the director of Jiangnan Cable. Mr. Rui joined Wuxi Jiangnan as a sales manager in January 2000 and he then held various positions including vice general manager, director, president and deputy chairman from 2002 to 2010. During this tenure, Mr. Rui was responsible for sales and daily management of the company and gained rich experience in the electrical wire and cable industry. He has been a director of Extra Fame since March 2006, a director of SA Asia Cable since June 2005, a director of Jiangnan Cable (HK) since December 2010 and a director of Jiangnan Cable and Power Heritage since February 2004. Mr. Rui graduated from the China Central Radio & Television University (中央廣播電視大學) with an associate degree in law on a part-time basis in July 2006. He was qualified as a senior economist (高級經濟師) by the Jiangsu Province Personnel Department (江蘇省人事廳) in November 2005. Mr. Rui was named as a China Outstanding Entrepreneur (中國優秀企業家) by the International Enterprise Development China Promotion Committee (國際企業發展中國促進會) and China Excellent Enterprise Network (中國優秀企業網) in 2006. Mr. Rui Yiping is the son of Mr. Rui Fubin, our Chairman, executive Director and chief executive officer, and a cousin of the spouse of Mr. Jiang Yongwei, our executive Director and vice president.

Ms. Xia Yafang (夏亞芳), aged 39, was appointed as our Director on 26 January 2011, appointed as our executive vice president on 25 February 2012 and will become our executive Director with effect from the Listing Date. She joined us in 2004. Ms. Xia is in charge of our overall day to day operations. She was appointed as chief engineer of Jiangnan Cable in August 2011. Ms. Xia has nearly 20 years of experience in the wire and cable industry in the PRC. From April 2001 to January 2004, she was a director of technology department and vice general manager of Wuxi Jiangnan. From March 1996 to March 2001, Ms. Xia was the engineer for cable research technology and the director of cross-linked cable factory of Wuxi Far East Cable Factory (無錫遠東電纜廠). During this tenure, Ms. Xia was in charge of production and daily operations of the factory. From July 1992 to February 1996, Ms. Xia worked at Wuxi City Jiangnan Cable Factory (無錫市江南電纜廠) as a technician. Ms. Xia graduated from Nanjing Jinling Institute of Technology (南京金陵科技學院) (formerly known as Nanjing Polytechnic University (南京金陵職業大學)) with an associate degree in mechanical and electrical engineering in July 1992. Ms. Xia was qualified as a senior economist (高級經濟師) in November 2005 and senior engineer (高級工程師) in September 2007, both by the Jiangsu Province Personnel Department (江蘇省人事廳). Ms. Xia is the spouse of Mr. Han Wei, our vice general manager.

Mr. Jiang Yongwei (蔣永衛), aged 45, was appointed as our vice president and our Director on 25 February 2012 and will become our executive Director with effect from the Listing Date. Mr. Jiang joined us in February 2004. He is the head of our production department responsible for our production management. He has over 20 years of experience in the wire and cable industry in the PRC. Mr. Jiang has been a director of Jiangnan Cable since

DIRECTORS, SENIOR MANAGEMENT AND STAFF

February 2004. Mr. Jiang served as vice general manager of Wuxi Jiangnan from August 1997 to February 2004 and was responsible for overall production. From January 1990 to July 1997, Mr. Jiang was a director of infrastructure department of Wuxi Jiangnan. Mr. Jiang graduated from Southeast University (東南大學) with a master's degree in business administration in July 2004. Mr. Jiang was qualified as a senior economist (高級經濟師) in November 2005 by the Jiangsu Province Personnel Department (江蘇省人事廳). The spouse of Mr. Jiang Yongwei is the niece of Mr. Rui Fubin, our Chairman, executive Director and chief executive officer, and his spouse is a cousin of Mr. Rui Yiping, our executive Director and general manager (marketing and sales).

Independent non-executive Directors

Mr. He Zhisong (何植松), aged 42, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. He is a partner of Beijing Kaiwen Law Firm (北京凱文律師事務所). From July 1996 to February 2002, he worked for the Justice Bureau of Zhuhai, Guangdong. From November 1994 to July 1996, he was a partner of Zhuhai Sanlian Law Firm (珠海三聯律師事務所). From July 1992 to November 1994, Mr. He worked in the government of the Jinwan (formerly known as Sanzao) district of Zhuhai. Mr. He obtained a bachelor's degree and a master's degree in law from Southwest University of Political Science and Law (西南政法大學) and Renmin University of China (中國人民大學) in July 1992 and July 1999, respectively.

Mr. Wu Changshun (吳長順), aged 51, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. Wu has worked at the Shanghai Cable Research Institute (上海電纜研究所) since April 1988 and held various positions, including vice head and vice chief engineer. He has also been an independent director of Jiangsu Yuanyang Dongze Cable Co., Ltd. (江蘇遠洋東澤電纜股份有限公司) since 21 November 2009. Mr. Wu is currently a member of Sub-special Committee of High Voltage Testing of the Chinese Society of Electrical Engineering High Voltage Special Committee (中國電機工程學會高壓專委會高壓測試分專委會委員), a member of National Standardization Technical Committee of Electrical Accessories (全國電器附件標準化技術委員會委員), a member of National Standardization Technical Committee of Wire and Cable (全國電線電纜標準化技術委員會委員), a member of Shanghai Electrical Insulation and Thermal Aging Key Laboratory Academic Committee (上海市電氣絕緣與熱老化重點實驗室學術委員會委員) and a member of Wire and Cable Engineering Research Centre Committee of Jiangsu Province (江蘇省電線電纜工程技術研究中心委員會委員). Mr. Wu obtained a bachelor's degree in engineering in July 1985 and a master's degree in engineering in April 1988, from Xi'an Jiaotong University (西安交通大學), respectively. Mr. Wu was accredited as a senior engineer (professor level) (高級工程師(教授級)) by the Shanghai Project Series Industrial Production Senior Engineer (Lecturer Level) Qualification Jury (上海市工程系列工業生產類高級工程師(教授級)資格評審委員會) in July 2005.

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Mr. Yang Rongkai (楊榮凱), aged 52, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. Yang has served as the head of the Electric Equipment Inspection and Test Centre Cable Quality Inspection Station of State Grid Electric Science Research Institute (國網電力科學研究院) (formerly known as Wuhan High Voltage Research Institute (武漢高壓研究所), which was then renamed as “State Grid Wuhan High Voltage Research Institute (國網武漢高壓研究院)” in 2007 and was subsequently merged with State Grid Nanjing Automation Research Institute (國網南京自動化研究院) and named as State Grid Electric Science Research Institute (國網電力科學研究院) in 2008 (hereinafter called “Electric Science Research Institute”)) since July 2008. Mr. Yang has been a member of the Preparatory Team for the Cable Group of the State Grid Electric Power Research Institute since April 2011 and is currently a member of the Preparatory Team for the Cable Group of the State Grid Electronics Research Institute. He was the deputy chief of the Cable Technology Research Institute (電纜技術研究所) and the deputy head of the Cable Quality Inspection Station (電纜質檢站) of Electric Science Research Institute from January 2007 to July 2008. From December 2005 to December 2006, he was the chief engineer of Cable Technology Research Centre (電纜技術研究中心) and the deputy head of the Cable Quality Inspection Station (電纜質檢站) of Electric Science Research Institute. During October 1985 to December 2006, Mr. Yang held various positions in Electric Science Research Institute, including engineer, senior engineer, and is now the deputy chief of the Cable Quality Inspection Station (電纜質檢站). He was appointed as the deputy secretary general at the Electricity Industry Electricity and Cable Standardisation Technology Committee (電力行業電力電纜標準化技術委員會) in June 2001. Mr. Yang graduated from the China Electric Power Research Institute (中國電力科學研究院) with a master’s degree in engineering in December 1985. Mr. Yang was qualified as a senior engineer (高級工程師) by the Department of Electric Power (電力工業部) of Electric Science Research Institute in December 1992.

Mr. Poon Yick Pang Philip (潘翼鵬), aged 42, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. Poon has over 18 years of experience in corporate finance and accounting. Mr. Poon joined Real Nutraceutical Group Limited (瑞年國際有限公司) (stock code: 2010), a company listed on the Main Board of the Stock Exchange in June 2008 as the chief financial officer and company secretary. Mr. Poon has been serving as an independent non-executive director of Infinity Chemical Holdings Company Limited (星謙化工控股有限公司) (stock code: 640) since March 2010, a company listed on the Main Board of the Stock Exchange. Mr. Poon has become an independent non-executive director of Trigiant Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1300), with effect from 23 August 2011. From 2007 to 2008, he was the director of finance of China Medical Technologies, Inc., a NASDAQ listed company engaged in the manufacture and sale of advanced medical devices in China. From 2002 to 2007, he worked as the senior vice president, qualified accountant and company secretary of Paradise Entertainment Limited (stock code: 1180), a company listed on the Main Board of the Stock Exchange. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, and in major listed companies in Hong Kong, including Lenovo Group Limited (聯想集團有限公司) (stock code: 992), a company listed on the Main Board of the Stock Exchange, and Sun Hung Kai Properties Limited (新鴻基地產發展有限公司) (stock code: 16), a company listed on the Main Board of the Stock Exchange. Mr. Poon obtained a bachelor’s degree in commerce from the University of New South Wales in April 1993 and is a holder of a chartered financial analyst charter of the CFA Institute, a certified practising accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

Mr. Rui Fengming (芮鳳鳴), aged 58, is our vice general manager. Mr. Rui joined us in February 2004 and has been the executive vice general manager of Jiangnan Cable. Mr. Rui is responsible for our sales and marketing. Mr. Rui also served as director and deputy manager of Wuxi Jiangnan from August 1997 to May 2010, in charge of sales of wire and cable products. From July 1986 to July 1997, Mr. Rui worked at Wuxi City Jiangnan Cable Factory (無錫市江南電纜廠) and was responsible for sales of wire and cable in the factory. From July 1973 to June 1986, he was a technician of the Yixing Guanlin Food Station (宜興市官林食品站), being responsible for sales. Mr. Rui graduated from Jiangsu Yixing Guanlin High School (江蘇省宜興市官林中學) in July 1973. Mr. Rui Fengming does not have any relationship with our Directors.

Mr. Han Wei (韓偉), aged 43, is our vice general manager in charge of sales. Mr. Han joined us in February 2004. From January 2001 to January 2004, Mr. Han worked in Wuxi Jiangnan and was a vice general manager. During this tenure, he was responsible for sales of wire and cable. From January 1996 to December 2000, he was the director of Wuxi Far East Cable Factory (Rubber Branch) (無錫遠東電纜廠橡膠分廠) and was in charge of production and daily management. From July 1992 to December 1995, Mr. Han worked at Wuxi City Jiangnan Cable Factory (無錫市江南電纜廠) and held various positions, including deputy head of equipment procurement department and deputy head of rubber and cable workshop. Mr. Han graduated from Nanjing Jinling College of Technology (南京金陵科技學院) (formerly known as Nanjing Jinling Vocational College (南京金陵職業大學)) with an associate's degree in mechanical and electrical engineering in July 1992. Mr. Han was qualified as a senior economist (高級經濟師) in November 2005 and senior engineer (高級工程師) in September 2009, both by the Jiangsu Province Personnel Department (江蘇省人事廳). Mr. Han is the spouse of Ms. Xia Yafang, our executive Director and executive vice president.

Mr. Chan Man Kiu (陳文喬), aged 50, is our chief financial officer and company secretary. Mr. Chan joined us in January 2011. Mr. Chan has over 26 years of experience in the field of finance and operations. Since 2004, Mr. Chan has served as an independent non-executive director in Ming Fung Jewellery Group Limited (stock code: 860), a company listed on the Main Board of the Stock Exchange. From June 2007 to December 2010, Mr. Chan served as deputy chief operating officer in Xinhua Sports and Entertainment Limited. From March 2001 to May 2007, Mr. Chan was the finance director and managing director in business development of Xinhua Finance Limited. From January 1990 to February 2001, he held different managerial roles in Jardine Fleming. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan obtained his Professional Diploma in Accountancy from the Hong Kong Polytechnic in November 1984 and EMBA from the City University of Hong Kong in November 2003.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Qiu Tianhua (仇田華), aged 56, is our vice general manager. Mr. Qiu joined us in February 2004. He is responsible for accounting and financial matters of Jiangnan Cable. From August 1997 to January 2004, Mr. Qiu served Wuxi Jiangnan as director of the financial department. From January 1992 to July 1997, Mr. Qiu was a senior accountant of Wuxi Jiangnan Cable Factory (無錫市江南電纜廠). From January 1990 to December 1991, Mr. Qiu was an accountant in Yixing Guanlin Town Industry Corporation (宜興市官林鎮工業公司). From January 1983 to December 1989, he worked in Yixing Guanlin Guest Hotel (宜興官林迎賓館) as a senior accountant. Mr. Qiu was qualified as an associate certified public accountant (助理會計師) by Wuxi Personnel Bureau (無錫市人事局) in August 1997. Mr. Qiu graduated from Yixing Guanlin High School (宜興市官林中學) in July 1974.

Except for Mr. Poon Yick Pang Philip and Mr. Chan Man Kiu as disclosed above, none of our Directors nor senior management has been a director of any listed companies for the three years immediately preceding the Latest Practicable Date.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal control procedures so as to achieve accountability.

Our Company has adopted a code of corporate governance, containing the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules (including those amendments which have come into effect on 1 January 2012 and which will come into effect on 1 April 2012). Our Directors will use their best endeavours to procure our Company to comply with such code of corporate governance save for the deviation below and make disclosure of deviation from such code in accordance with the Listing Rules.

Pursuant to code provision A.2.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, our Company does not have a separate chairman and chief executive officer, with Mr. Rui Fubin currently performing these two roles. Our Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and efficiently.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

We have established an audit committee that has written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The main objective of the audit committee is to assist our Board in fulfilling its fiduciary responsibilities to our Company and each of its subsidiaries to act in the interest of our shareholders as a whole. Its primary duties include: (i) to consider and make recommendation to our Board on the appointment, reappointment and removal of our external auditor; (ii) to approve the remuneration and terms of engagement of our external auditor and any questions of resignation or dismissal of our external auditor; (iii) to review our Company's financial controls, internal control and risk management systems; (iv) to monitor integrity of our Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and (v) to review and monitor our external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards.

Our audit committee consists of four members, namely, Messrs. Poon Yick Pang Philip, He Zhisong, Wu Changshun and Yang Rongkai, all being independent non-executive Directors.

The chairman of our audit committee is Mr. Poon Yick Pang Philip.

REMUNERATION COMMITTEE

We have established a remuneration committee which has written term of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The main functions of the remuneration committee include: (i) to make recommendations to our Board on our Company's policy and structure for all of our Directors, and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve management remuneration proposal with reference to our Board's corporate goals and objectives; (iii) to make recommendations to our Board on the remuneration of our non-executive Directors; and (iv) to review and approve compensation arrangements relating to dismissal or removal of our Directors for misconduct to ensure that they are consistent with relevant contracted terms and are otherwise reasonable and appropriate.

Our remuneration committee consists of five members, namely, Messrs. Wu Changshun, He Zhisong, Yang Rongkai, Poon Yick Pang Philip and Rui Yiping, of whom Messrs. Wu Changshun, He Zhisong, Yang Rongkai and Poon Yick Pang Philip are independent non-executive Directors.

The chairman of our remuneration committee is Mr. Wu Changshun.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

NOMINATION COMMITTEE

We have established a nomination committee which has written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The main objectives of the nomination committee are to implement a formal, transparent and objective procedure for appointing Board members and evaluating each Board member's performance and to provide clear disclosure of our Company's policies on nomination and evaluation of Board members in its annual report. Its primary functions include: (i) to review the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and make recommendations on any proposed changes to our Board to complement our Company's corporate strategy; (ii) to make recommendations to our Board on the appointment or re-appointment of our Directors and succession planning for our Directors, in particular, the chairman and the chief executive; (iii) to assess the independence of our independent non-executive Directors; and (iv) to keep under review the leadership needs of our Company, both executive and non-executive, with a view to ensuring continued ability of our Company to compete effectively in the marketplace.

The nomination committee consists of five members, namely, Messrs. Wu Changshun, He Zhisong, Yang Rongkai, Poon Yick Pang Philip and Rui Yiping, of whom Messrs. Wu Changshun, He Zhisong, Yang Rongkai and Poon Yick Pang Philip are independent non-executive Directors.

The chairman of our nomination committee is Mr. Wu Changshun.

CORPORATE GOVERNANCE COMMITTEE

We have established a corporate governance committee which has written terms of reference as suggested under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules which will come into effect on 1 April 2012. The main functions of the corporate governance committee include: (i) to develop and review our Company's policies and practices on corporate governance and make recommendations to our Board; (ii) to review and monitor the training and continuous professional development of directors and senior management of our Group; (iii) to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements; and (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of our Group.

The corporate governance committee consists of three members, namely, Messrs. Rui Fubin, Rui Yiping and Jiang Yongwei, all are executive Directors.

The chairman of our corporate governance committee is Mr. Rui Fubin.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For the Track Record Period, the aggregate remuneration (including fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind) paid to our Directors by us was approximately RMB564,000, RMB888,000 and RMB1,697,000, respectively. Details of the Directors' remuneration are also set out in note 12 to section E – Directors' and employees' emoluments of the Accountants' Report set out in Appendix I to this prospectus.

The aggregate amount of fees, salaries, discretionary bonus, defined contribution benefit plans (including pension), housing and other allowances, and other benefits in kind paid to the five highest paid individuals of our Company, other than those already disclosed as Directors' remuneration above, for the Track Record Period were approximately RMB142,000, RMB182,000 and RMB1,016,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. No Directors has waived or agreed to waive the respective remuneration during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of our Directors' fees and other emoluments for the year ending 31 December 2012 is estimated to be approximately RMB2,508,000.

REMUNERATION POLICY

Our remuneration policy is based on position, duties and performance of the employees. Our employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal cycle varies according to the positions of our employees. The performance appraisal of our senior management is conducted annually, that of our department head is conducted quarterly while that of our remaining staff will be conducted monthly. The performance appraisal is supervised by our performance management committee.

Following the Listing, the overall remuneration structure and process is expected to remain the same, except that the remuneration committee will perform such functions as set out in the paragraph headed "Remuneration committee" in this section.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

STAFF

As at 31 December 2011, we had 2,051 employees with 2,037 based in the PRC and 14 based in South Africa. A breakdown of employees by function as at the same date is as follows:

Department	Number of employees
Management and administration	140
Finance and accounting	51
Procurement	23
Production and quality assurance	1,565
Sales and marketing	272
Total	2,051

Notes:

1. Four independent non-executive Directors are not included because they are not our employees.
2. There are 145 engineers and technicians working on our research and development projects.
3. 60 professional quality management personnel are included in the production and quality assurance department.

RELATIONSHIP WITH STAFF

We recruit personnel from the open market. We provide technical as well as operational training to all new employees and on-going training for all employees.

The compensation package of the employees includes salary, bonus and other cash subsidies. In general, we determine employees salaries based on each employee's qualification, position and seniority. Our determination on salary raises, bonus and promotion is based on an evaluation of the performance of our employees through our review system.

In the PRC, we participate in mandatory pension plans and social insurance contribution plans. We are required to contribute a portion of our employees' total wages to the state's pension plan in accordance with relevant local government regulation. In accordance with the relevant national and local labour and social welfare laws and regulations, we are required to pay for and on behalf of our employees a monthly social insurance and housing reserve fund. We are also required to pay work-related injury insurance and maternity insurance for and on behalf of our employees. Details of the pension schemes are set out in note 30 to section E – retirement benefits schemes of the Accountants' Report in Appendix I to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

In accordance with the relevant PRC laws and regulations, we are required to make housing fund contributions for our employees since 2007. During the two years ended 31 December 2010, we did not fully comply with the housing fund requirements for our employees because a number of employees declined our Group's payment of housing fund contributions on their behalf as they did not foresee that they would purchase properties in the near future and given that the contributions made would not be returned to them in cash, they preferred not to make such contributions. As advised by our PRC Legal Adviser, starting from January 2011, we have fully complied with the PRC housing fund requirements. We estimate that the aggregate amount payable by us to the housing fund authority for the two years ended 31 December 2010 would be approximately RMB1.46 million and RMB1.79 million, respectively.

As advised by our PRC Legal Adviser, under the relevant PRC laws and regulations, we may be ordered by the relevant housing fund authority to pay the outstanding housing fund contributions within the prescribed period, and be liable for a fine of between RMB10,000 and RMB50,000. Our PRC Legal Adviser has advised that in case an employee of us succeeds in a labour dispute against us with respect to the outstanding housing fund contributions, we may be required to make such outstanding contributions to such employee. Notwithstanding the aforesaid, we are advised that the above penalty and liability will not materially affect the operation of Jiangnan Cable.

Pursuant to the deed of indemnity dated 5 April 2012, our Controlling Shareholders have agreed to provide an indemnity to us in respect of, among other matters, all possible losses incurred by us in relation to the non-compliance with the housing fund requirements for our employees.

We have not made any provision for the outstanding housing fund contributions and the liability on such outstanding housing fund contributions will be borne by our Controlling Shareholders by way of the above deed of indemnity.

The employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreement. We believe we have an amicable relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes, work stoppages or labour disputes which affected our operations.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

We have appointed Daiwa Capital Markets Hong Kong Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules.

Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including issuance or repurchase of Shares;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry with us regarding unusual movements in the price or trading volume of the shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the Capitalisation Issue, the following persons will have an interest or short position in the Shares or underlying Shares (but without taking into account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any interests under the Stock Borrowing Agreement) which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<u>Name</u>	<u>Capacity</u>	<u>Number of Shares held</u>	<u>Position</u>	<u>Approximate percentage of shareholding</u>
Mr. Rui Fubin	Interest of controlled corporation	1,103,400,000 ⁽¹⁾	Long	71.72%
Power Heritage	Beneficial owner	1,103,400,000 ⁽¹⁾	Long	71.72%
Ms. Shi Mingxian	Interest of spouse	1,103,400,000 ⁽¹⁾⁽²⁾	Long	71.72%

Notes:

- (1) These Shares are registered in the name of Power Heritage, a company which is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping. Under the SFO, Mr. Rui Fubin is deemed to be interested in all the Shares held by Power Heritage.
- (2) Under the SFO, Ms. Shi Mingxian, the spouse of Mr. Rui Fubin, is deemed to be interested in all the Shares in which Mr. Rui Fubin is interested in.

SHARE CAPITAL

SHARE CAPITAL

The following table is prepared on the basis that the Global Offering and the Capitalisation Issue were effected. This table does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased pursuant to the Issuing Mandate and the Repurchase Mandate.

Authorised share capital	HK\$
<u>10,000,000,000</u> Shares	<u>100,000,000</u>
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:	
10,000,000 Shares in issue as at the date of this prospectus	100,000
338,600,000 Shares to be issued under the Global Offering	3,386,000
<u>1,190,000,000</u> Shares to be issued under the Capitalisation Issue	<u>11,900,000</u>
<u>1,538,600,000</u>	<u>15,386,000</u>

If the Over-allotment Option is exercised in full, our issued share capital immediately following the Global Offering will be as follows (assuming that the Capitalisation Issue has occurred):

Authorised share capital	HK\$
<u>10,000,000,000</u> Shares	<u>100,000,000</u>
Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:	
10,000,000 Shares in issue as at the date of this prospectus	100,000
396,320,000 Shares to be issued under the Global Offering	3,963,200
<u>1,190,000,000</u> Shares to be issued under the Capitalisation Issue	<u>11,900,000</u>
<u>1,596,320,000</u>	<u>15,963,200</u>

The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

SHARE CAPITAL

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares in issue and/or to be allotted and issued as mentioned in this prospectus and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares save with respect to the Capitalisation Issue.

ISSUING MANDATE

Subject to the conditions set forth in the paragraph headed “Conditions of the Hong Kong Public Offer” in the section headed “Structure of the Global Offering” of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to allot, issue and deal with the Shares with an aggregate nominal value not exceeding:

- 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- the aggregate nominal amount of the share capital of our Company purchased by our Company (if any) pursuant to the Repurchase Mandate.

This mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or
- the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further details of the Issuing Mandate, please refer to the sub-paragraph headed “Resolutions in writing of all Shareholders passed on 25 February 2012” under the paragraph headed “Further information about our Company and the subsidiaries of our Group” in Appendix V to this prospectus.

SHARE CAPITAL

REPURCHASE MANDATE

Subject to the conditions set forth in the paragraph headed “Conditions of the Hong Kong Public Offer” in the section headed “Structure of the Global Offering” of this prospectus being fulfilled, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose. A summary of the relevant requirements of the Listing Rules on the Repurchase Mandate is set forth in the sub-paragraph headed “Repurchase by our Company of our own securities” under the paragraph headed “Further information about our Company and the subsidiaries of our Group” in Appendix V to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or
- the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to our Directors by such mandate.

For further information about the Repurchase Mandate, please refer to the sub-paragraph headed “Resolutions in writing of all Shareholders passed on 25 February 2012” under the paragraph headed “Further information about our Company and the subsidiaries of our Group” in Appendix V to this prospectus.


FINANCIAL INFORMATION

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

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

OVERVIEW

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

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

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

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

FINANCIAL INFORMATION

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

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

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

Set out below is our turnover by geographical locations during the Track Record Period:

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

FINANCIAL INFORMATION

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

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

Reorganisation and Basis of Presentation

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

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

Factors Affecting Our Results of Operations and Financial Condition

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

Product mix

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

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

FINANCIAL INFORMATION

Customer Demand

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

Cost of raw materials

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

Competition

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

Taxation

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

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

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

Critical Accounting Policies and Estimates

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

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

Revenue recognition

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

(a) Sales of goods

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

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

FINANCIAL INFORMATION

(b) Interest income

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

Property, plant and equipment

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

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

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

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

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

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Research and development costs

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

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

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

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

Inventories

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

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Impairment losses

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

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

Impairment of financial assets

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

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

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

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

FINANCIAL INFORMATION

Results of Operations

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

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

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Turnover

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

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

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

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

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

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

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

FINANCIAL INFORMATION

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

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

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

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

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

- **Power cables.** The increase in turnover from 2009 to 2010 was mainly due to the increase in the average selling price of our products while the sales volume remained stable. The increase in turnover from 2010 to 2011 was mainly due to the increase in the sales volume of power cables.
- **Wires and cables for electrical equipment.** The increase in turnover of wires and cables for electrical equipment from 2009 to 2011 was mainly due to the increase in sales volume as a result of rapid recovery of the PRC economy.
- **Bare wires.** The decrease in turnover of bare wires from 2009 to 2010 was mainly due to a decrease in sales volume. The increase in turnover of bare wires from 2010 to 2011 was mainly due to an increase in sales volume.

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

Cost of goods sold

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

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

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

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

The following describes the major expense items:

- **Raw materials.** Cost of raw materials, which consist of copper, aluminium, insulating materials and sheath materials (such as XLPE and PVC), is one of the

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

- **Direct labour costs.** Labour costs mainly include wages and benefits for those directly engaged in production activities. Our direct labour costs remained stable at around 1% of our total cost of goods sold.
- **Production costs.** Production costs mainly consist of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs. Our production cost remained stable at around 3% of our total cost of goods sold.

Gross profit and gross profit margin

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

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

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

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

Selling and distribution costs

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

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

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

Administrative expenses

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

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

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

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

Other expenses

Our expenses include research and development costs and IPO expenses.

Other gains and losses

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

Taxation

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

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

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

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

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

Other income

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

Finance costs

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

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Profit for the year

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

YEAR ON YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Turnover

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

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

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

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Cost of goods sold

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

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

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

Gross profit and gross profit margin

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

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

Selling and distribution costs

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

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Administrative expenses

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

Other expenses

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

Finance costs

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

Taxation

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

Profit for the year

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

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

Turnover

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

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

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

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

Cost of goods sold

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

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

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

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Gross profit and gross profit margin

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

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

Selling and distribution costs

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

Administrative expenses

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

Other expenses

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

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Other gains and losses

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

Finance costs

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

Taxation

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

Profit for the year

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

Cash flow data

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

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

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Cash generated from operating activities

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

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

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

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

Cash generated from (used in) investing activities

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

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

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

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

Cash generated from (used in) financing activities

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

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

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

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

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ANALYSIS OF COMBINED STATEMENTS OF FINANCIAL POSITION

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

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

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Net current assets

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

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

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

FINANCIAL INFORMATION

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

Property, plant and equipment

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

Inventories and inventory turnover days

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

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

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

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

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

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

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

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

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

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

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

Trade and other receivables and bills receivables turnover days

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

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

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

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

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

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

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

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

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

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

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

Trade and other payables and bills payable turnover days

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

We had trade and bills payables of approximately RMB244.9 million, RMB689.5 million and RMB1,247.1 million as at 31 December 2009, 2010 and 2011, respectively. Trade payables increased from approximately RMB191.9 million as at 31 December 2009 to approximately RMB293.3 million as at 31 December 2010 mainly due to the increase in purchase as compared to 2009. Trade payables further increased to approximately RMB412.1 million as at 31 December 2011 as a result of increase in purchases. On the other hand, bills payables (non-trade related bills financing is not included) increased from approximately RMB53.0 million as at 31 December 2009 to approximately RMB396.3 million as at 31 December 2010 and to approximately RMB835.0 million as at 31 December 2011 mainly due to the migrating

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of non-trade related bills financing, which was shown as “bills payables under financing arrangement” under current liabilities in the combined statements of financial position, to trade related bills financing activities. The non-trade related bills financing decreased from RMB473.4 million as at 31 December 2009 to approximately RMB160.0 million as at 31 December 2010 and to nil balance as at 31 December 2011.

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

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

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

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

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

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

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Advances to and from Independent Third Parties

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

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

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

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CAPITAL EXPENDITURES

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

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

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

CAPITAL COMMITMENT

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

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

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INDEBTEDNESS

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

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

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

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As at 31 December 2009, 2010 and 2011, our bank borrowings were secured by (i) charges over buildings and machinery and equipment and (ii) guarantees from third parties, related companies and our Directors and family members of our Directors. As at the Latest Practicable Date, the guarantees from related companies and our Directors and family members of our Directors had been released. The guarantees from the third parties were provided upon the request from our banks. These third parties were our suppliers, namely, Jinxiao Copper, Sanmu Group, Dongfeng Cable and Siwei Copper and they were willing to offer the guarantees at no cost for intangible commercial benefits, such as expanding sales in the wire and cable industry by maintaining a good relationship with us, which is one of the largest players in the wire and cable industry. Jinxiao Copper was the only supplier that was involved in both the non-compliant bill financing arrangements and the provision of guarantees for our bank borrowings during the Track Record Period. The outstanding bank borrowings guaranteed by these suppliers amounted to approximately RMB778.1 million, RMB899.0 million and RMB1,198.0 million, respectively, as at 31 December 2009, 2010 and 2011. Jinxiao Copper had provided guarantees for our borrowings in the aggregate amounts of RMB334.5 million, RMB450.4 million and RMB559.4 million, respectively, as at 31 December 2009, 2010 and 2011, which accounted for approximately 38.1%, 45.3% and 46.5% of our bank borrowings with guarantees as at the respective dates.

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

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

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

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

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

As at 29 February 2012, the amount of our bank borrowings was approximately RMB1,426.8 million, of which RMB583.9 million was guaranteed by Jinxiao Copper, RMB335.0 million was guaranteed by Sanmu Group, RMB153.6 million was guaranteed by Dongfeng Cable and RMB150.0 million was guaranteed by Siwei Copper.

Short-term bank loans and gearing ratio

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

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

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

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

WORKING CAPITAL

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

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OPERATING LEASE COMMITMENTS

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

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

PROPERTY INTERESTS AND PROPERTY VALUATION

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

(RMB in thousands)

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

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QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

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

Credit risk

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

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

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

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

Commodity risk

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

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Foreign currency risk

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

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

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

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

Liquidity Risk

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

CONTINGENT LIABILITIES

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

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OFF-BALANCE SHEET ARRANGEMENTS

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

DIVIDEND POLICY

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

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

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

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

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

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

DISTRIBUTABLE RESERVES

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

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

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

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

FINANCIAL INFORMATION

Notes:

- (a) The audited combined net tangible assets of our Group attributable to owners of our Company as at 31 December 2011 is extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (b) The estimated net proceeds from the New Issue are based on 338,600,000 Shares at the Offer Price of HK\$1.42 (equivalent to RMB1.15) and HK\$2.05 (equivalent to RMB1.66) per Share, after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the New Issue, the amount stated in Hong Kong dollars has been converted from Renminbi into Hong Kong dollars at the rate of HK\$1 to RMB0.81.
- (c) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in note b in the preceding paragraph and on the basis that 1,538,600,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2011 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (d) As of 31 January 2012, our Group's property interests were valued by Vigers Appraisal & Consulting Limited, an independent professional surveyor, and the relevant property valuation report is set out in Appendix III to this prospectus. The net valuation surplus, representing the excess of market value of the properties over their book value as at 31 January 2012, is approximately RMB124.8 million. Such revaluation surplus has not been incorporated in our Group's combined financial statements for the year ended 31 December 2011 and will not be incorporated in the future financial statements of our Group. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated in such valuation, an additional amortisation and depreciation of approximately RMB3.6 million per annum would have been charged against the combined statement of comprehensive income per annum.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

DIRECTORS CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

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

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Details of our Group's future plans are set out in the paragraph headed "Our Business Strategies" under the section headed "Business" of this prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.74 per Share (being the midpoint of the stated Offer Price range of HK\$1.42 to HK\$2.05 per Share), the net proceeds from the New Issue, after deducting the underwriting fees and estimated expenses borne by us in connection with the Global Offering, are estimated to be approximately HK\$553.8 million.

We intend to apply such net proceeds as follows:

- up to 33%, or approximately HK\$180.0 million, will be used starting from the second half of 2012 to expand our production facilities for high and ultra high voltage cables with rated voltages of 220-500kV;
- up to 16%, or approximately HK\$90.0 million, will be used starting from the second half of 2012 to upgrade and expand our existing production facilities and enhance our research and development capabilities;
- up to 20%, or approximately HK\$109.0 million, will be used starting from the second half of 2012 to set up a manufacturing facility in South Africa to support our expansion in South Africa and its surrounding markets;
- up to 25%, or approximately HK\$141.0 million, will be used starting from the second half of 2012 to set up production facilities for aluminium alloy and double capacity conductors; and
- up to 6%, or approximately HK\$33.8 million, will be used for the potential acquisitions to further expand our market share and leadership through consolidation of upstream businesses or companies with complementary products, technologies and customers. Please refer to the paragraph headed "Explore strategic opportunities" in the section headed "Business" of this prospectus for further details. We had not identified any acquisition target as at the Latest Practicable Date.

In the event that the Offer Price is determined at the high end of the indicative Offer Price range between HK\$1.42 to HK\$2.05 per Share, the net proceeds from the New Issue will be approximately HK\$656.1 million. In such case, the additional net proceeds from the New Issue will be applied towards potential acquisitions. Save for the above changes, there will not be any further changes in the use of net proceeds of the New Issue under such circumstance.

FUTURE PLANS AND USE OF PROCEEDS

In the event that the Offer Price is determined at the low end of the indicative Offer Price range between HK\$1.42 to HK\$2.05 per Share, the net proceeds from the New Issue will be approximately HK\$448.1 million. In such case, the net proceeds from the New Issue to be applied towards (i) expansion of our production facility for high and ultra high voltage cables; (ii) upgrade and expand existing production facilities and enhance research and development capabilities; (iii) set up a manufacturing facility in South Africa; (iv) set up production facilities for aluminium alloy and double capacity conductors; and (v) potential acquisitions, will be decreased to approximately HK\$148.0 million, HK\$74.0 million, HK\$97.0 million, HK\$115.0 million, and HK\$14.1 million respectively. We intend to finance these shortfall, if necessary, by internal resources or bank borrowings. Save for the above changes, there will not be any further changes in the use of net proceeds of the New Issue under such circumstance.

The estimated net proceeds from the Sale Shares to be received by the Selling Shareholder will be approximately HK\$77.6 million (assuming the same midpoint of the stated Offer Price range as stated in the above), after deducting the underwriting fees and estimated expenses payable by the Selling Shareholder in relation to the Global Offering. Our Company will not receive any of the net proceeds from the Sale Shares by the Selling Shareholder.

Should the Over-allotment Option be exercised in full, we will receive additional net proceeds of approximately HK\$97.9 million. We intend to adjust our allocation of the net proceeds for the purposes described above on a pro rata basis. The Selling Shareholder will not receive any of the net proceeds from the exercise of the Over-allotment Option.

To the extent that the net proceeds from the New Issue are not immediately used for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short term deposits with licenced banks and/or authorised financial institutions in Hong Kong and/or the PRC.

UNDERWRITING

LEAD MANAGER

Daiwa Capital Markets Hong Kong Limited

CO-LEAD MANAGERS

First Shanghai Securities Limited
Haitong International Securities Company Limited

CO-MANAGERS

ABCI Securities Company Limited
China Everbright Securities (HK) Limited
Huatai Financial Holdings (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Placing Agreement becoming unconditional and not having been terminated.

Subject to the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus being granted by the Listing Committee of the Stock Exchange and other conditions set out in the Hong Kong Underwriting Agreement (including agreement on the Offer Price between our Company, the Selling Shareholder and the Sole Global Coordinator, on behalf of the Hong Kong Underwriters), the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers, for the Hong Kong Offer Shares.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to the termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) by notice in writing given to our Company if any of the following events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other

UNDERWRITING

competent authority in the Cayman Islands or the PRC or Hong Kong or South Africa or the US or any other jurisdiction(s) relevant to or any other similar event which in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) has or is likely to have material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial condition or prospects of our Group in a material way; or

- (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national or international financial, political, military, industrial, economic, currency exchange rates, exchange control, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including but not limited to conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting the Cayman Islands, Hong Kong, the PRC, South Africa, the US, the United Kingdom, the European Union, Japan or any other relevant jurisdiction; or
- (iii) any suspension or limitation on trading in shares or securities generally on the New York Stock Exchange, the Stock Exchange, Tokyo Stock Exchange, the London Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange or any minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a disruption has occurred in securities settlement, payment or clearance services or procedures in or affecting the Cayman Islands, Hong Kong, the PRC, South Africa, the US, the United Kingdom, the European Union, Japan or any other relevant jurisdiction; or
- (iv) a change or development occurs involving a change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations or currency exchange rates in the Cayman Islands, Hong Kong, the PRC, South Africa, the US, the United Kingdom, the European Union, Japan or any other relevant jurisdiction; or
- (v) any change or development involving a prospective change in the condition, financial or otherwise, or in the earnings, business affairs, business prospects, trading position or operation of our Company or any member of our Group, or customer confidence or sales of our Group's products, including any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against our Company or any member of our Group, or a request of product withdrawal from the market by a government department or authority; or
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

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- (vii) any moratorium on or disruption in banking activities or foreign exchange trading or settlement or clearance services in or affecting the Cayman Islands, Hong Kong, the PRC, South Africa, the US, the United Kingdom, the European Union, Japan or any other relevant jurisdiction; or

- (viii) any outbreak or escalation of hostilities (whether or not war is or has been declared) or act for terrorism or other state of emergency or calamity or wide-spread epidemic or political or social crisis involving directly or indirectly the Cayman Islands, Hong Kong, the PRC, South Africa, the US, the United Kingdom, the European Union, Japan or any escalation thereof, or the declaration by the Cayman Islands, Hong Kong, the PRC, South Africa, the US, the United Kingdom, the European Union or Japan of a national emergency or war; or

- (ix) any event of force majeure, including without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, earthquake, explosion, outbreak of disease or epidemic, terrorism (whether or not responsibility has been claimed), labour dispute, strike or lock-out involving directly or indirectly the Cayman Islands, Hong Kong, the PRC, South Africa, the US, the United Kingdom, the European Union or Japan; or

- (x) the imposition of any economic sanctions, in whatever form, directly or indirectly, by Japan, the US, the United Kingdom, the European Union (or any member thereof) on Hong Kong, the PRC, South Africa or any other relevant jurisdictions; or

- (xi) a Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship,

which, in the sole and absolute opinion of the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or may be or is likely to be materially adverse to or materially or prejudicially affect, the business, financial or other condition or prospects of our Company or our Group or, in the case of sub-paragraph (iv), to any present or prospective shareholder of our Company in his/her/its capacity as such; or

- (B) has or might have or is likely to have a material adverse effect on the success of the Hong Kong Public Offer, the International Placing or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or

- (C) makes or will or may make it inadvisable, inexpedient, impracticable or not commercially viable to proceed with or to market the Hong Kong Public Offer, the International Placing or the Global Offering, or for a

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material part of the Hong Kong Underwriting Agreement, the International Placing Agreement, the Hong Kong Public Offering, the International Placing or the Global Offering to be performed or implemented or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

- (b) there comes to the notice of the Sole Global Coordinator any matter or event showing any of the warranties given by our Company, the Controlling Shareholders and the executive Directors in the Hong Kong Underwriting Agreement to be untrue, inaccurate or misleading in any respect which is or, in the sole and absolute opinion of the Sole Global Coordinator, likely to be, material in the context of the Global Offering when given or repeated; or
- (c) there comes to the notice of the Sole Global Coordinator any breach on the part of our Company, the Controlling Shareholders or the executive Directors of any of the provisions of the Hong Kong Underwriting Agreement or the International Placing Agreement; or
- (d) any matter has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute a material omission therefrom; or
- (e) any statement contained in this prospectus, the Application Forms, the formal notice and any announcements in the agreed form issued by our Company in connection with the Global Offering (including any supplement or amendment thereto) was, has or may become untrue incorrect or misleading; or
- (f) there shall have occurred any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Group pursuant to the indemnities referred to in the Hong Kong Underwriting Agreement; or
- (g) a prohibition is imposed on our Company or the Selling Shareholder for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (h) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or
- (i) a petition is presented for the winding-up or liquidation of our Company or any member of our Group or our Company or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any

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member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any member of our Group or anything analogous thereto occurs in respect of our Company or any member of our Group, which in the sole and absolute opinion of the Sole Global Coordinator, may or is likely to be material in the context of the Global Offering provided that the Sole Global Coordinator shall, to the extent practicable, seek to consult with our Company on the effect of any such development.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By our Company

Our Company undertakes to the Sole Global Coordinator and each of the Hong Kong Underwriters that except pursuant to the Global Offering (including the exercise of the Over-allotment Option and the entering into of the Stock Borrowing Agreement), the Capitalisation Issue and unless in compliance with the requirements of the Listing Rules:

- (a) at any time from the date of the Hong Kong Underwriting Agreement until the expiry of six months from the Listing Date (the “**First Six-Month Period**”), it will not (i) offer, accept subscription for, pledge, charge, allot, issue, lend, sell, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of the Shares or other securities of our Company or any interest therein (including, but not limited to, any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any of the Shares or securities or any interest therein); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of such Shares or such other securities, in cash or otherwise;
- (b) in the event of an issue or disposal of any Shares or any interest therein after the date falling six months after the Listing Date, our Company will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares; and
- (c) during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company will not issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of its major subsidiaries so as to result in our Controlling Shareholders (together with any of their associates), either individually or taken together with the others of them, cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of 30%

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or more or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer in any of the companies controlled by him or it or any of their associates which owns any Shares, or our Company ceasing to hold a controlling interest of 30% or more, directly or indirectly, in any of such major subsidiaries (as defined in Chapter 13 of the Listing Rules).

By our Controlling Shareholders

Each of our Controlling Shareholders jointly and severally undertakes to each of the Sole Global Coordinator, the Hong Kong Underwriters and our Company that:

- (a) he/it will not, and will procure that none of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it will, except pursuant to the Global Offering (including the entering into of the Stock Borrowing Agreement and the agreement for sale of the Sale Shares and the Over-allotment Option), where applicable, and unless in compliance with the requirements of the Listing Rules, at any time during the First Six-Month Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares, debt capital or other securities of our Company or any interest therein held by him/it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such Shares or other securities of our Company or any interest therein) as of the Listing Date or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares or securities or any interest therein as of the Listing Date whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so;

- (b) he/it will not, and will procure that none of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it will, unless in compliance with the requirements of the Listing Rules, during the Second Six-Month Period, offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares, debt capital or other securities of our Company or any interest therein held by him/it (including but not limited to any securities that are convertible into or exercisable or exchangeable for or that represent the right to receive, any such Shares or such other securities of our Company or any interest therein) as of the Listing Date or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Shares

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or any interest therein as of the Listing Date, whether any of the foregoing transactions is to be settled by delivery of such Shares or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, it will result in our Controlling Shareholders and/or any companies controlled by it/him, its/his nominee or trustee ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company, and in the event of a disposal by him/it of any of the Shares or securities or any interest therein during the Second Six-Month Period he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company; and

- (c) he/it shall, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date (i) upon any pledge or charge in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of our Company beneficially owned by him/it or his/its associates for a bona fide commercial loan, immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or securities so pledged or charged and make the relevant disclosure in such manner as required by the Listing Rules; (ii) prior to any pledge or charge in favor of any third party other than an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of our Company beneficially owned by him/it or his/its associates, he or it shall obtain prior written consent from our Company and the Sole Global Coordinator and make the relevant disclosure in such manner as required by the Listing Rules; and (iii) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares will be disposed of, immediately inform the Stock Exchange, our Company and the Sole Global Coordinator in writing of such indications.

Each of our Controlling Shareholders jointly and severally undertakes with our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that he or it will procure that each of his or its respective associates complies with all restrictions and requirements under the Listing Rules (or any replacement or amendment thereto made from time to time) on the disposal by him or it or by the registered holder of any securities in respect of which he or it is, or is shown in this prospectus to be, the beneficial owner.

The International Placing

International Placing Agreement

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Placing Agreement, under which our Company will offer the International Placing Shares for placing with certain professional, institutional and private investors and the International Underwriters will agree to severally subscribe for the International Placing Shares.

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We expect to grant to the Sole Global Coordinator, for itself and on behalf of the International Underwriters, the Over-allotment Option exercisable by the Sole Global Coordinator at any time and from time to time from the date of the International Placing Agreement until the 30th day after the last day for the lodging of application under the Hong Kong Public Offer, to require us to allot and issue up to an aggregate of 57,720,000 additional Shares, representing 15% of the Offer Shares initially available for subscription, at the same price per Offer Share under the International Placing, solely to cover over-allocations, if any, in the International Placing.

Commission and expenses

The Hong Kong Underwriters will receive a commission of 2.5% of the aggregate Offer Price of all the Hong Kong Offer Shares. It is expected that the International Underwriters will receive an underwriting commission of 2.5% of the aggregate of the Offer Price of all the International Placing Shares, out of which they will pay any sub-underwriting commissions. Our Company and the Selling Shareholder may also in their sole discretion pay the Sole Global Coordinator (for its account only) an additional incentive fee of up to 0.88% of the Offer Price of all the Offer Shares. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering borne by our Company, assuming an Offer Price of HK\$1.74 (being the mid-point of Offer Price range between HK\$1.42 per Offer Share and HK\$2.05 per Offer Share), are estimated to amount to approximately HK\$43.6 million in total (assuming that the Over-allotment Option is not being exercised).

Underwriters' interests in our Company

Daiwa Capital Markets Hong Kong Limited confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Daiwa Capital Markets Hong Kong Limited has been appointed as the compliance adviser of our Company with effect from the Listing Date until the despatch of our Company's financial results for the first full financial year of our Company after the Listing Date.

Save (i) as disclosed in this prospectus, and (ii) for their interests and obligations under the Underwriting Agreements, none of the Hong Kong Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

STRUCTURE OF THE GLOBAL OFFERING

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be Friday, 13 April 2012 and in any event not later than Wednesday, 18 April 2012.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$2.05 per Offer Share and is expected to be not less than HK\$1.42 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company and the Selling Shareholder, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause there to be published on our Company's website at www.jiangnangroup.com and the Stock Exchange's website at www.hkexnews.hk notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company and the Selling Shareholder, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" of this prospectus, and any other financial information which may change as a result of such reduction. **If applications for Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the Offer Price range is so reduced, such applications cannot be subsequently withdrawn.** In the absence of any notice being published on our Company's website at www.jiangnangroup.com and the Stock Exchange's website at www.hkexnews.hk of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters), our Company and the Selling Shareholder are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

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Announcement of the Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on Thursday, 19 April 2012.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.05 per Offer Share and is expected to be not less than HK\$1.42 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$2.05 per Offer Share and 1% brokerage, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. That means a total of HK\$4,141.33 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$2.05 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed “How to apply for the Hong Kong Offer Shares” of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

2. Underwriting Agreements

- (i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and
- (ii) the execution and delivery of the International Placing Agreement prior to or on the Price Determination Date.

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3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your money” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving bankers or other bank(s) in Hong Kong, licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 384,800,000 Offer Shares will be made available under the Global Offering, of which 346,320,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed under the International Placing in US to QIBs in reliance on Rule 144A under the US Securities Act and in Hong Kong and other jurisdictions outside the US in offshore transactions to selected professional, institutional and private investors in reliance on Regulation S under the US Securities Act. The remaining 38,480,000 Hong Kong Offer Shares (subject to re-allocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Placing Agreement. Further details of the underwriting are set out in the section headed “Underwriting” of this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

International Placing

Our Company is expected to offer initially 346,320,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is

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expected to be fully underwritten by the International Underwriters. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK\$2.05 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy of the Offer Price.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors anticipated to have a sizeable demand for such Shares in Hong Kong and other jurisdictions outside the US in offshore transactions in reliance on Regulation S under the US Securities Act and in the US to QIBs in reliance on Rule 144A under the US Securities Act, with due observance of and within the limits of the applicable selling restrictions. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its Shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offer.

Our Company, the Directors, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Hong Kong Public Offer” of this section.

Hong Kong Public Offer

Our Company is initially offering 38,480,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares initially offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$2.05 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking

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and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offer is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 19,240,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares available in pool B will consist of 19,240,000 Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 115,440,000 Shares, representing 30% of the Offer Shares;

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- (b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 153,920,000 Shares, representing 40% of the Offer Shares; and
- (c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 192,400,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) the Over-allotment Option which will expire on Sunday, 13 May 2012, being the date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) to allot and issue up to and not more than 57,720,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator (for itself and on behalf of the International Underwriters) may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Power Heritage or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 57,720,000 new Shares will represent approximately 3.62% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

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STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Sole Global Coordinator (or its affiliates or any person acting for it), as the stabilising manager, for itself or acting on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 57,720,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Power Heritage or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“primary stabilising action”) with respect to any Shares during the stabilisation period, which should end on Sunday, 13 May 2012:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
 - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;
 - (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or
 - (ii) sell or agree to sell Shares so as to establish a short position in them;
 - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

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- (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
- (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Sole Global Coordinator;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the earlier of the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, that the stabilising period is expected to expire on Sunday, 13 May 2012, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 57,720,000 additional Shares and cover such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 57,720,000 Shares from Power Heritage, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. **Stock borrowing arrangement is not subject to the restrictions of rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:**

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;

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- the maximum number of Shares borrowed from Power Heritage will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Power Heritage or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full; or (iii) such earlier time as may be agreed in writing between Power Heritage and the Sole Global Coordinator;
- the stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements; and
- no payments will be made to Power Heritage in relation to the stock borrowing arrangement.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. CHANNELS TO APPLY FOR THE HONG KONG OFFER SHARES

You may apply for the Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- giving **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf; or
- by means of **HK eIPO White Form** by submitting applications online through the designated website at www.hkeipo.hk. Use **HK eIPO White Form** if you want the Shares issued in your own name.

You or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider.

2. WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a US Person;
- are not inside the US and will be acquiring the Hong Kong Offer Shares in offshore transactions (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC (other than qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the designated website at www.hkeipo.hk under the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong Identity Card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service if you are an individual applicant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Company, the Sole Global Coordinator (or its agents or nominees) and the Sole Sponsor may accept or reject it at their discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive or their respective associates or any other connected persons of our Company or persons who will become connected persons of our Company immediately upon completion of the Global Offering.

You should also note that you may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Placing, but may not do both.

3. WHICH APPLICATION CHANNEL YOU SHOULD USE

(a) **WHITE Application Forms**

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) **Apply through the designated HK eIPO White Form service**

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **HK eIPO White Form** by submitting applications online through the designated website at www.hkeipo.hk. Use **HK eIPO White Form** if you want the Hong Kong Offer Shares to be registered in your own name.

(c) **YELLOW Application Forms**

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(d) Instruct HKSCC to make an electronic application on your behalf

Instead of using a **WHITE** or **YELLOW** Application Form or **HK eIPO White Form** service, you may give **electronic application instruction** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: Except in the circumstances permitted under the Listing Rules, the Hong Kong Offer Shares are not available to existing beneficial owner of any of the Shares in our Company, our Directors or chief executive of our Company or any of its subsidiaries or associates or connected person of our Company, or person who does not have a Hong Kong address, person who is a US Person, person in the US or person who has been allocated or has applied for International Placing Shares under the International Placing.

4. WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 10 April 2012 until 12:00 noon on Friday, 13 April 2012 from:

any of the following Hong Kong Underwriters:

Daiwa Capital Markets Hong Kong Limited
Level 28
One Pacific Place
88 Queensway
Hong Kong

First Shanghai Securities Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited
25/F, New World Tower
16-18 Queen's Road Central
Hong Kong

ABCI Securities Company Limited
Room 701, 7/F
One Pacific Place
88 Queensway
Hong Kong

China Everbright Securities (HK) Limited
36/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
Room 5808-12, The Center
99 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

or any of the following branches of Bank of China (Hong Kong) Limited and Standard Chartered Bank (Hong Kong) Limited:

Bank of China (Hong Kong) Limited

	Branches	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Central District (Wing On House) Branch	71 Des Voeux Road Central
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road North Point
Kowloon	Kwun Tong Branch	20-24 Yue Man Square Kwun Tong
	Mong Kok Branch	589 Nathan Road, Mong Kok
New Territories	Metro City Branch	Shop 209, Level 2 Metro City Phase 1 Tseung Kwan O
	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road Tsuen Wan

Standard Chartered Bank (Hong Kong) Limited

	Branches	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F Lee Wing Building No. 156-162 Hennessy Road Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens 1027 King's Road, Quarry Bay
	Causeway Bay Branch	G/F, Yee Wah Mansion 38-40A Yee Wo Street Causeway Bay
Kowloon	Hung Hom Comm Centre Branch	Shop 33-37 G/F Hunghom Commercial Centre 37-39 Ma Tau Wei Road Hung Hom
	Tsimshatsui Branch	G/F, 10 Granville Road Tsimshatsui
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road Cheung Sha Wan
New Territories	New Town Plaza Branch	Shop 215, 222 & 223 Phase 1, New Town Plaza Shatin

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (b) You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 10 April 2012 until 12:00 noon on Friday, 13 April 2012 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or your broker may have **YELLOW** Application Forms and this prospectus available.

5. WHEN TO APPLY FOR THE HONG KONG OFFER SHARES

(a) **WHITE or YELLOW Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Friday, 13 April 2012, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Tuesday, 10 April 2012 – 9:00 a.m. to 5:00 p.m.
Wednesday, 11 April 2012 – 9:00 a.m. to 5:00 p.m.
Thursday, 12 April 2012 – 9:00 a.m. to 5:00 p.m.
Friday, 13 April 2012 – 9:00 a.m. to 12:00 noon

(b) **Electronic application instructions to HKSCC**

CCASS Clearing Participants or CCASS Custodian Participants should input **electronic application instructions** at the following times:

Tuesday, 10 April 2012 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 11 April 2012 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 12 April 2012 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 13 April 2012 – 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 10 April 2012 until 12:00 noon on Friday, 13 April 2012 (24 hours daily, except on the last application date).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Friday, 13 April 2012 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

(c) **HK eIPO White Form**

You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Tuesday, 10 April 2012 until 11:30 a.m. on Friday, 13 April 2012 or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 13 April 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application list” below.

You will not be permitted to submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(d) **Application lists**

The application lists will be opened from 11:45 a.m. to 12:00 noon on Friday, 13 April 2012, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) **Effect of bad weather conditions on the opening of the application lists**

The application lists will be opened between 11:45 a.m. and 12:00 noon on Friday, 13 April 2012, subject to weather conditions. The application lists will not be open in relation to the Hong Kong Public Offer if there is:

1. a tropical cyclone warning signal number 8 or above; or
2. a “black” rainstorm warning,

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 13 April 2012. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

6. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form.
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Hong Kong Offer Shares you want to purchase. Calculate the amount you must pay in accordance with the table of numbers and payments set out in the Application Forms on the basis of the maximum Offer Price of HK\$2.05 per Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%.
- (d) Complete the Application Form and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorised attorney, our Company, the Sole Sponsor and the Sole Global Coordinator (or its agents or nominees) may accept or reject the application at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of your attorney. The Sole Global Coordinator in its capacity as agent of our Company has full discretion to accept or reject any application, in full or in part, without assigning any reasons therefor.
- (e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form. If you pay by cheque, the cheque must:
 - 1. be in Hong Kong dollars;
 - 2. not be post-dated;
 - 3. be drawn on your Hong Kong dollar bank account in Hong Kong;

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4. show your account name, which must either be pre-printed on the cheque, or be endorsed on the reverse of the cheque by an authorised signatory of the bank. This account name must correspond with the name of the applicant on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
5. be made payable to “Bank of China (Hong Kong) Nominees Limited – Jiangnan Group Public Offer”; and
6. be crossed “Account Payee Only”.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on the first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

1. be issued by a licenced bank in Hong Kong and have your name certified on the reverse of the banker’s cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker’s cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the reverse of the banker’s cashier order must be the same as the name of the first-named joint applicant;
2. not be post-dated;
3. be in Hong Kong dollars;
4. be made payable to “Bank of China (Hong Kong) Nominees Limited – Jiangnan Group Public Offer”; and
5. be crossed “Account Payee Only”.

Your application may be rejected if your banker’s cashier order does not meet all these requirements.

- (f) Lodge your **WHITE** or **YELLOW** Application Forms in one of the collection boxes by the time and at one of the locations, as respectively referred to in sub-paragraph 4(a) above.
- (g) The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Friday, 13 April 2012. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of e-Refund

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payment instructions/refund cheques). The right is also reserved to retain any Share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

- (h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed "How many applications you can make" in this section.
- (i) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the application form. Only written signatures will be accepted.

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by an individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain your full name and your Hong Kong Identity Card number; and
 - the CCASS Investor Participant should insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by a joint individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
 - The CCASS Participant I.D. must be inserted in the appropriate box on the **YELLOW** Application Form.
- If you are applying as a corporate CCASS Investor Participant:
 - the **YELLOW** Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
 - the CCASS Participant I.D. and company chop (bearing the CCASS Investor Participant's company name) must be inserted in the appropriate box on the **YELLOW** Application Form.

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- (j) Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.
- (k) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are required to designate on each Application Form in the box marked “For nominees” account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

7. HOW TO APPLY THROUGH THE HK eIPO WHITE FORM SERVICE

- (a) You may apply through **HK eIPO White Form** by submitting an application through the designated website at www.hkeipo.hk. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name. For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.
- (b) Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **HK eIPO White Form** Service Provider and may not be submitted to our Company.
- (c) The designated **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the designated **HK eIPO White Form** Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.
- (e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (f) You should give **electronic application instructions** through **HK eIPO White Form** at the times set out in paragraph (b) of the paragraph headed “When to apply for the Hong Kong Offer Shares” of this section.

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- (g) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Friday, 13 April 2012, or such later time as described under the paragraph headed “Effect of bad weather conditions on the opening of the application lists” in the section headed “When to apply for the Hong Kong Offer Shares” above, the designated **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.
- (h) **Warning: The application for Hong Kong Offer Shares through the HK eIPO White Form service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, the HK eIPO White Form Service Provider and other parties involved in the Global Offering take no responsibility for such applications, and provide no assurance that applications through the HK eIPO White Form service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **HK eIPO White Form** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS. See “How many applications you can make” below.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Hong Kong Offer Shares and to arrange for payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

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- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.
- (d) You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your designated CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.
- (e) You may give **electronic application instructions** in respect of a minimum of 2,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table on the Application Form.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:
- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form and/or this prospectus; and
 - (ii) HKSCC Nominees does all the things on behalf of each of such persons as stated in the paragraph headed “Effect of making any application” below.

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- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.
- (h) For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (i) The paragraph headed “Personal data” below applies to any personal data held by the Sole Sponsor, the Sole Global Coordinator, our Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warnings

Application for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and all other parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) **submit the WHITE or YELLOW Application Form (as appropriate); or**
- (b) **go to HKSCC’s Customer Service Centre to complete an application instruction input request form before 12:00 noon on Friday, 13 April 2012 or such later time as described under the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” above.**

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9. RESULTS OF ALLOCATIONS

Our Company expects to publish the announcement on the Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing and the basis of allotment of the Hong Kong Offer Shares in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.jiangnangroup.com on Thursday, 19 April 2012. Results of allocations in the Hong Kong Public Offer, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** Application Forms, or **YELLOW** Application Forms or the designated **HK eIPO White Form** Service Provider through the designated **HK eIPO White Form** website or by giving **electronic application instructions** to HKSCC via CCASS will be made available at the times and dates and in the manner specified below:

- Results of allocations for the Hong Kong Public Offer will be available from the results of allocations website at www.tricor.com.hk/ipo/result on a 24-hour basis from 8:00 a.m. on Thursday, 19 April 2012 to 12:00 midnight on Wednesday, 25 April 2012. A "Search by ID" function will be available on the results of allocations website at www.tricor.com.hk/ipo/result. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result.
- Results of allocations will be available from the Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 19 April 2012 to Tuesday, 24 April 2012 (excluding Saturdays, Sundays and public holidays in Hong Kong).
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual receiving bank branches and sub-branches from Thursday, 19 April 2012 to Monday, 23 April 2012 at all the receiving bank branches and subbranches at the addresses set out in the paragraph headed "Where to collect the Application Forms" above.
- Results of allocations for the Hong Kong Public Offer can be found in the announcement to be published on our Company's website at www.jiangnangroup.com and the website of the Stock Exchange at www.hkexnews.hk on Thursday, 19 April 2012.

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10. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Hong Kong Offer Shares only if:
- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.
 - Multiple or suspected multiple applications are liable to be rejected.
- (b) Save as referred to (a) above, all of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider; or
 - both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** Application Form or one (or more) **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form** Service Provider; or
 - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **HK eIPO White Form** Service Provider for more than 100% of the Hong Kong Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed “Structure of the Global Offering” of this prospectus; or

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- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.
- (c) All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:
- (i) the principal business of that company is dealing in securities; and
 - (ii) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- (i) control the composition of the board of directors of that company; or
 - (ii) control more than half of the voting power of that company; or
 - (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).
- (d) If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service by giving **electronic application instructions** through the designated website at www.hkeipo.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **HK eIPO White Form** service and one or more applications by any other means, all of your applications are liable to be rejected.

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11. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- **instruct** and **authorise** our Company and/or the Sole Global Coordinator (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf or to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s), as required by the Articles, and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - **undertake** to sign all documents and to do all things necessary to enable you or the name of HKSCC Nominees (as the case may be) to be registered as the holder of the Hong Kong Offer Shares to be allocated to you, and as required by the Articles;
 - **authorise** our Company to enter into a contract on your behalf with each of the Directors and officers whereby each such Director and officer undertakes to observe and comply with his obligations to the shareholders of our Company as required by the Articles;
 - **warrant** the truth and accuracy of the information contained in your application;
 - if the laws of any place outside Hong Kong are applicable to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions set out in this prospectus and the relevant Application Form;
 - **confirm** that you have received and/or read a copy of this prospectus and have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations concerning our Company save as set out in any supplement to this prospectus;
 - **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
 - (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make this application;

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- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service (www.hkeipo.hk);
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service (www.hkeipo.hk), and that you are duly authorised to sign the relevant Application Form or to give **electronic application instructions** as that other person's agent;
- **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing nor otherwise participate in the International Placing;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **represent** and **warrant** that you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act and you and any person for whose account or benefit you are applying for the Hong Kong Offer Shares are outside the US when completing and submitting the relevant Application Form or a person described in paragraph (h)(3) of Rule 902 of Regulation S under the US Securities Act, and will be acquiring Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S);
- **agree** to disclose to our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, the Hong Kong Share Registrar, the receiving bankers and/or their respective officers, advisers and agents any personal data and information which they require about you or the person(s) for whose benefit you have made this application;
- **agree** with our Company (for itself and for the benefit of each Shareholder) and our Company agrees with each Shareholder, to observe and comply with the Companies Law and the Memorandum of Association and the Articles;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any less number allocated to you under the application;

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- **understand** that your declarations and representations will be relied upon by our Company, the Sole Sponsor and the Sole Global Coordinator in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for making a false declaration;
- **represent, warrant and undertake** that the allocation of or application for the Hong Kong Offer Shares to you or by you or for whose benefit the application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- **authorise** our Company to place your name(s) or the name of HKSCC Nominees (as the case may be) on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the relevant Application Form by ordinary post at your own risk to the address stated on your Application Form (unless you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form your wish to collect your refund cheque (where applicable) and Share certificates (where applicable) in person);
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by our Company;
- **authorise** our Company to issue and despatch refund cheque(s) to the address given on the relevant Application Form if you have completed payment of the application monies from multi-bank accounts;
- **confirm** that you are aware of the restrictions on the Hong Kong Offer Shares described in this prospectus;
- **agree** that the processing of your application, may be done by any of our Company's receiving banks and is not restricted to the bank at which your application was lodged;
- **agree** that our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;
- **agree** with our Company and each Shareholder that the Shares are freely transferable by the holders thereof; and

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- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the relevant Application Form and agree to bound by them.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:
- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of such allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allocated Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allocated Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allocated Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Share certificates for such allocated Hong Kong Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees may adjust the number of allocated Hong Kong Offer Shares issued in the name of HKSCC Nominees;
 - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to our Company nor any other person in respect of such things:
- instruct and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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- instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$2.05 per Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;
- instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;
- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorise HKSCC to cause HKSCC Nominees to do on your behalf the following:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;
 - undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
 - undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
 - (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
 - understand that the above declaration will be relied upon by our Company and the Sole Sponsor and the Sole Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;

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- authorise our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of your **electronic application instructions** and to send Share certificates and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;
- agree that our Company, the Sole Sponsor and the Sole Global Coordinator, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for, and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;
- agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Sponsor, the Sole Global Coordinator and the Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before the fifth day after the closing of the application lists under the Hong Kong Public Offer such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Hong Kong Offer Shares to any person before the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the closing of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

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- agree that once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Hong Kong Public Offer made available by our Company; and
- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Hong Kong Offer Shares.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allocated Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the expiration of the fifth day after the closing of the application lists under the Hong Kong Public Offer. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the expiration of the fifth day after the closing of the application lists except by means of one of the procedures referred to in this prospectus.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the closing of the application lists under the Hong Kong Public Offer (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not

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been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allocation of the Hong Kong Offer Shares is void:

Your allocation of the Hong Kong Offer Shares (and the allocation to HKSCC Nominees, as the case may be) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Hong Kong Public Offer as well as the International Placing:

By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC via CCASS or to the designated **HK eIPO White Form Service Provider**, you agree not to apply for International Placing Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offer from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer.

(d) If our Company, the Sole Sponsor, the Sole Global Coordinator or the HK eIPO White Form Service Provider or their respective agents or nominees exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Underwriters) or the **HK eIPO White Form Service Provider** (where applicable) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

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(e) **If:**

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form);
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.hkeipo.hk;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Placing Shares under the International Placing;
- your application is for more than 50% of the 38,480,000 Hong Kong Offer Shares being initially comprised under the Hong Kong Public Offer as referred to under the section headed "Structure of the Global Offering" of this prospectus;
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof or otherwise; or
- our Company, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the **HK eIPO White Form** Service Provider or their respective agents believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed.

13. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price of the Hong Kong Offer Shares is HK\$2.05 each. You must also pay a brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.003%. The proposed board lot for trading in the Shares is 2,000 Shares. This means that for every 2,000 Hong Kong Offer Shares, you will pay HK\$4,141.33. The Application Forms have tables showing the exact amount payable for numbers of Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% in full when you apply for the Hong Kong Offer Shares.

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If your application is successful, the brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than HK\$2.05 per Share, appropriate refund payments (including brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedures for refund are set out in the paragraph headed “Refund of your money – additional information” below.

14. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

(a) If you are applying using a **WHITE** Application Form:

- Refund cheque(s) and Share certificate(s) for these applicants who apply for less than 1,000,000 Hong Kong Offer Shares or apply for 1,000,000 or more Hong Kong Offer Shares and have not indicated on your Application Forms that you will collect Share certificate(s) and/or refund cheque(s) (where applicable) in person are expected to be despatched on Thursday, 19 April 2012 to the same address as that for Share certificate(s), being the address specified in the relevant Application Form.
- Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have indicated on their Application Forms that they wish to collect Share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar may collect Share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 19 April 2012.
- Applicants being individuals who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who are applying for 1,000,000 Hong Kong Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation’s respective chops. Both individuals and authorised representatives (where applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar and must correspond with the information contained in the Application Form.
- Uncollected Share certificate(s) and refund cheque(s) (where applicable) will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant Application Forms.

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(b) If: (i) you are applying on a **YELLOW** Application Form; or (ii) you are giving **electronic application instructions** to HKSCC, and in each case you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:

- If your application is wholly or partly successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form or electronically, as the case may be), on Thursday, 19 April 2012 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form:

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you are applying as a CCASS Investor Participant on a **YELLOW** Application Form:

Our Company is expected to make available the results of the Hong Kong Public Offer, including the results of CCASS Investor Participants' applications, in the manner described above in the paragraph headed "Results of allocations" on Thursday, 19 April 2012. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 19 April 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

- If you have given **electronic application instructions** to HKSCC:

Our Company is expected to make available the application results of the Hong Kong Public Offer, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner), your Hong Kong Identity Card number or passport number or Hong Kong business registration number or other identification code (as appropriate)

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in the manner described above in the paragraph headed “Results of allocations” on Thursday, 19 April 2012. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 19 April 2012 or any other date HKSCC or HKSCC Nominees chooses.

- If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** to HKSCC on your behalf:

You can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- If you are applying as a CCASS Investor Participant by giving **electronic application instruction** to HKSCC:

You can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, 19 April 2012. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

(c) If you are applying through **HK eIPO White Form**:

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your Share certificate(s) in person at our Hong Kong Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 19 April 2012, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at www.hkeipo.hk on Thursday, 19 April 2012 by ordinary post and at your own risk.

If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Thursday, 19 April 2012.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the final Offer Price is different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider on or around Thursday, 19 April 2012, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **HK eIPO White Form** Service Provider set out below in “Refund of your money – additional information”.

You will receive one Share certificate for all Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No receipt will be issued for application monies paid. Our Company will not issue temporary documents of title.

15. REFUND OF YOUR MONEY – ADDITIONAL INFORMATION

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of e-Refund payment instructions/refund cheques will be retained for the benefit of our Company) if:
- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
 - your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;

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- the Offer Price (as finally determined) is less than the price per Offer Share initially paid by you on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
 - the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed “Conditions of the Hong Kong Public Offer” under the section headed “Structure of the Global Offering” of this prospectus.
- (b) If you apply on a **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect your refund cheque (where applicable) in person from the Hong Kong Share Registrar on Thursday, 19 April 2012. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Hong Kong Offer Shares is successful (in whole or in part)” in this section.

If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Thursday, 19 April 2012, by ordinary post and at your own risk.

- (c) If you are applying by giving **electronic application instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing Participant or CCASS Custodian Participant) on Thursday, 19 April 2012.
- (d) If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White Form** Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in this section shall be made pursuant to the arrangements described above in “If your application for the Hong Kong Offer Shares is successful (in whole or in part) – If you are applying through **HK eIPO White Form**”.

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- (e) Refund cheque will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, where applicable. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.
- (f) e-Refund payment instructions/refund cheques are expected to be despatched on or around Thursday, 19 April 2012. Our Company intends to make special efforts to avoid undue delays in refunding money.

16. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or the despatch of e-Refund payment instructions/refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

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(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong or elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

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(c) Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as our Company and the Hong Kong Share Registrar consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company's appointed agents such as financial advisers, receiving bankers and its principal share registrar and the Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or its subsidiaries and/or the Hong Kong Share Registrar in connection with the operation of their respective businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **HK eIPO White Form**, you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to our Company for the attention of the company secretary or (as the case may be) the Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

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17. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Friday, 20 April 2012.
- The Shares will be traded in board lots of 2,000 Shares.
- The stock code of the Shares is 1366.
- Any Share certificates in respect of Hong Kong Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

(b) Shares will be eligible for admission into CCASS

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

德勤•關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

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				
			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				Principal activity
			At 31 December			At the date of report	
			2009	2010	2011		
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

	<i>Section E</i> <i>Notes</i>	Year ended 31 December		
		2009 <i>RMB'000</i>	2010 <i>RMB'000</i>	2011 <i>RMB'000</i>
Turnover	7	2,994,966	3,686,366	4,929,876
Cost of goods sold		<u>(2,595,328)</u>	<u>(3,155,232)</u>	<u>(4,194,986)</u>
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	<u>(59,727)</u>	<u>(68,869)</u>	<u>(126,352)</u>
Profit before taxation		196,262	283,149	388,599
Taxation	10	<u>(32,706)</u>	<u>(51,330)</u>	<u>(71,154)</u>
Profit for the year	11	163,556	231,819	317,445
Other comprehensive income				
Exchange differences arising from translation of a foreign operation		<u>5,471</u>	<u>3,288</u>	<u>(11,167)</u>
Total comprehensive income for the year		<u>169,027</u>	<u>235,107</u>	<u>306,278</u>
Earnings per share				
Basic	14	<u>14.2 cents</u>	<u>20.1 cents</u>	<u>26.5 cents</u>

B. COMBINED STATEMENTS OF FINANCIAL POSITION

		THE GROUP At 31 December			THE COMPANY At 31 December
	Section E Notes	2009 RMB'000	2010 RMB'000	2011 RMB'000	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	–
		<u>346,604</u>	<u>408,397</u>	<u>411,993</u>	<u>–</u>
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	–
		<u>2,163,324</u>	<u>2,661,182</u>	<u>3,773,360</u>	<u>–</u>
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	–
		<u>1,929,375</u>	<u>2,102,216</u>	<u>2,977,837</u>	<u>–</u>
Net current assets		<u>233,949</u>	<u>558,966</u>	<u>795,523</u>	<u>–</u>
Total assets less current liabilities		<u>580,553</u>	<u>967,363</u>	<u>1,207,516</u>	<u>–</u>
Non-current liabilities					
Government grants	25	–	–	5,260	–
Long-term bank borrowings	24	–	80,000	–	–
Deferred taxation	26	5,933	11,630	20,245	–
		<u>5,933</u>	<u>91,630</u>	<u>25,505</u>	<u>–</u>
		<u>574,620</u>	<u>875,733</u>	<u>1,182,011</u>	<u>–</u>
Capital and reserves					
Share capital	27	82,771	82,771	85,665	–
Reserves		491,849	792,962	1,096,346	–
		<u>574,620</u>	<u>875,733</u>	<u>1,182,011</u>	<u>–</u>

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	–
	<u>–</u>	<u>66,006</u>	<u>–</u>
Net cash generated from (used in) financing activities	<u>26,111</u>	<u>(312,262)</u>	<u>54,682</u>
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	<u>5,519</u>	<u>1,980</u>	<u>(2,486)</u>
Cash and cash equivalent at end of the year, represented by bank balances and cash	<u><u>433,651</u></u>	<u><u>622,382</u></u>	<u><u>677,897</u></u>

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	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Loans and receivables (including cash and cash equivalents)	<u>1,535,746</u>	<u>1,867,054</u>	<u>2,574,031</u>
Financial liabilities			
Amortised cost	<u>1,783,015</u>	<u>1,925,867</u>	<u>2,670,195</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Decrease in profit for the year	<u>1,856</u>	<u>1,326</u>	<u>1,007</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States Dollars	(373)	(1,671)	(5,420)
Hong Kong Dollars	–	(169)	335
Singapore Dollars	–	–	(1,188)
Euro	–	92	–
	<u> </u>	<u> </u>	<u> </u>

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 RMB'000	6 months to 1 year RMB'000	Over 1 year but not more than 2 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount 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
		<u>1,422,947</u>	<u>385,078</u>	<u>–</u>	<u>1,808,025</u>	<u>1,783,015</u>
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
		<u>1,483,146</u>	<u>414,127</u>	<u>88,415</u>	<u>1,985,688</u>	<u>1,925,867</u>
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
		<u>2,131,286</u>	<u>582,050</u>	<u>–</u>	<u>2,713,336</u>	<u>2,670,195</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u>196,262</u>	<u>283,149</u>	<u>388,599</u>
Profit before taxation	<u>196,262</u>	<u>283,149</u>	<u>388,599</u>

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	–
	<u>2,994,966</u>	<u>3,686,366</u>	<u>4,929,876</u>
	<u>2,994,966</u>	<u>3,686,366</u>	<u>4,929,876</u>

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 (<i>Note</i>)	2,329	2,486	1,197
Others	–	–	90
	<u>18,682</u>	<u>8,414</u>	<u>14,434</u>

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	<u>(1,700)</u>	<u>(6,516)</u>	<u>(886)</u>
	48,044	64,070	126,352
Interest on bills financing arrangement (<i>Note 21</i>)	<u>11,683</u>	<u>4,799</u>	<u>–</u>
	<u>59,727</u>	<u>68,869</u>	<u>126,352</u>

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 (<i>Note 26</i>)	<u>4,131</u>	<u>5,697</u>	<u>8,615</u>
Taxation charge for the year	<u>32,706</u>	<u>51,330</u>	<u>71,154</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	196,262	283,149	388,599
Tax at the applicable tax rate (<i>Note</i>)	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 (<i>Note 12</i>)	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
	<u>61,817</u>	<u>80,712</u>	<u>112,210</u>
Total staff costs	61,817	80,712	112,210
Less: Staff costs included in research and development costs	<u>(3,788)</u>	<u>(6,104)</u>	<u>(8,330)</u>
	<u>58,029</u>	<u>74,608</u>	<u>103,880</u>
Depreciation of property, plant and equipment	20,624	22,270	30,799
Less: Depreciation included in research and development costs	<u>(1,105)</u>	<u>(1,323)</u>	<u>(1,603)</u>
	<u>19,519</u>	<u>20,947</u>	<u>29,196</u>
(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	<u>1,229</u>	<u>1,229</u>	<u>1,229</u>

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 RMB'000	2010 RMB'000	2011 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
	<u>564</u>	<u>888</u>	<u>1,697</u>

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

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

	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
	<u>142</u>	<u>182</u>	<u>1,016</u>

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	<u>163,556</u>	<u>231,819</u>	<u>317,445</u>
Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,149,600,040</u>	<u>1,154,985,241</u>	<u>1,200,000,000</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u>53,670</u>	<u>52,441</u>	<u>51,212</u>
At the end of the year	<u>53,670</u>	<u>52,441</u>	<u>51,212</u>
Analysed for reporting purposes as:			
Current portion	1,229	1,229	1,229
Non-current portion	52,441	51,212	49,983
	<u>53,670</u>	<u>52,441</u>	<u>51,212</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>590,718</u>	<u>777,745</u>	<u>1,185,879</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, net	628,242	1,003,058	1,313,371
Bills receivables	3,208	45,437	57,818
	<u>631,450</u>	<u>1,048,495</u>	<u>1,371,189</u>
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
	<u>700,456</u>	<u>1,082,504</u>	<u>1,426,190</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	–	–
	<u>631,450</u>	<u>1,048,495</u>	<u>1,371,189</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	–	–
	<u>216,899</u>	<u>391,045</u>	<u>482,560</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	46,140	38,785	55,133
(Reversal of allowance) allowance for the year	<u>(7,355)</u>	<u>16,348</u>	<u>11,478</u>
At end of the year	<u>38,785</u>	<u>55,133</u>	<u>66,611</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States Dollars	3,880	27,872	193,280
Singapore Dollars	–	–	23,759
	<u> </u>	<u> </u>	<u> </u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States Dollars	6,488	7,453	5,191
Hong Kong Dollars	–	3,387	3,423
	<u> </u>	<u> </u>	<u> </u>

20. TRADE AND OTHER PAYABLES

	THE GROUP		
	At 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
– independent third parties	164,736	293,267	412,122
– related companies (<i>Note 31</i>)	27,127	–	–
Bills payables	53,000	396,250	835,000
	<u> </u>	<u> </u>	<u> </u>
	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
	<u> </u>	<u> </u>	<u> </u>
	470,847	936,630	1,539,537
	<u> </u>	<u> </u>	<u> </u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>244,863</u>	<u>689,517</u>	<u>1,247,122</u>

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-interest 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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States Dollars	2,910	1,906	90,078
Euro	–	1,848	–
	<u>–</u>	<u>1,848</u>	<u>–</u>

21. BILLS PAYABLES UNDER FINANCING ARRANGEMENT

	THE GROUP		
	At 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank bills	443,380	120,000	–
Commercial bills	30,000	40,000	–
	<u>473,380</u>	<u>160,000</u>	<u>–</u>

(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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>63,602</u>	<u>73,499</u>	<u>13,314</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong Dollars	<u>–</u>	<u>–</u>	<u>10,117</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	–	–
	<u>918,600</u>	<u>993,600</u>	<u>1,401,825</u>

	THE GROUP		
	At 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	–
	<u>918,600</u>	<u>993,600</u>	<u>1,401,825</u>
Less: Amount due within one year shown under current liabilities	<u>(918,600)</u>	<u>(913,600)</u>	<u>(1,401,825)</u>
	<u>–</u>	<u>80,000</u>	<u>–</u>

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

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>706,551</u>	<u>441,968</u>	<u>871,915</u>

25. GOVERNMENT GRANTS

	THE GROUP		
	At 31 December		
	2009	2010	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	–	–	–
Addition during the year	–	–	5,260
At end of the year	<u>–</u>	<u>–</u>	<u>5,260</u>

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	<u>4,131</u>
At 31 December 2009	5,933
Charged to profit or loss for the year	<u>5,697</u>
At 31 December 2010	11,630
Charged to profit or loss for the year	<u>8,615</u>
At 31 December 2011	<u><u>20,245</u></u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	193	247	443
In the second to fifth years inclusive	142	–	584
	<u>335</u>	<u>247</u>	<u>1,027</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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:

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

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

The information set out in this appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 December 2011 (the "Accountants' Report") received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information set out below should be read in conjunction with the section headed "Financial Information" and the Accountants' Report of our Group set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is prepared based on the audited combined net tangible assets of our Group as at 31 December 2011, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Global Offering on the combined net tangible assets of our Group as at 31 December 2011 as if it had taken place on 31 December 2011. This unaudited pro forma adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of 31 December 2011 or at any future dates.

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

Notes:

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

- (b) The estimated net proceeds from the New Issue are based on 338,600,000 Shares at the Offer Price of HK\$1.42 (equivalent to RMB1.15) and HK\$2.05 (equivalent to RMB1.66) per Share, after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option. For the purpose of the estimated net proceeds from the New Issue, the amount stated in Hong Kong dollars has been converted from Renminbi into Hong Kong dollars at the rate of HK\$1 to RMB0.81.
- (c) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to in note b in the preceding paragraph and on the basis that 1,538,600,000 Shares were in issue assuming that the Global Offering has been completed on 31 December 2011 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (d) As of 31 January 2012, our Group's property interests were valued by Vigers Appraisal & Consulting Limited, an independent professional surveyor, and the relevant property valuation report is set out in Appendix III to this prospectus. The net valuation surplus, representing the excess of market value of the properties over their book value as at 31 January 2012, is approximately RMB124.8 million. Such revaluation surplus has not been incorporated in our Group's combined financial statements for the year ended 31 December 2011 and will not be incorporated in the future financial statements of the Group. The above adjustment does not take into account the above revaluation surplus. Had the properties been stated in such valuation, an additional amortisation and depreciation of approximately RMB3.6 million per annum would have been charged against the combined statement of comprehensive income per annum.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from the reporting accountants of our Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF JIANGNAN GROUP LIMITED**

We report on the unaudited pro forma financial information of Jiangnan Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed Global Offering might have affected the financial information presented, for inclusion in Appendix II to the Company's prospectus dated 10 April 2012 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-1 to II-2 to the prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 31 December 2011 or any future date.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

10 April 2012

The following is the text of letter, summary of valuation and valuation certificates, prepared for the purpose of incorporation in this prospectus, received from Vigers Appraisal & Consulting Limited, an independent property valuer, in connection with its valuations as at 31 January 2012 of the property interests of our Group.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10/F The Grande Building
398 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong



10 April 2012

The Directors
Jiangnan Group Limited

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Jiangnan Group Limited (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) in the People’s Republic of China (the “PRC”) and South Africa, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 31 January 2012 (the “date of valuation”) for the purpose of incorporation into the prospectus.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing Property No. 1 in Group I, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price in Yixing City and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

For property interests in Group II which are rented by the Group in South Africa, we have assigned no commercial value to them mainly due to the prohibition against assignment or sub-letting, the lack of substantial profit rents or the short term nature of such interests.

Our valuation has been made on the assumption that the owner sells the property interests in the open market in its existing state without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. We have been provided with extracts of title documents relating to the property interest. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interest in the PRC, we have relied on the legal opinion (the “PRC legal opinion”) provided by the Group’s PRC legal adviser, Allbright Law Offices.

After making due and careful enquiries, we have relied to a considerable extent on information provided by the Group and have accepted advice given to us by the Group on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the properties and other relevant matter. After making due and careful enquiries, we have also been advised by the Group that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors (HKIS).

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 31 January 2012 was HK\$1=RMB0.8134. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK\$) between that date and the date of this letter.

We enclose herewith a summary of valuation and the valuation certificates.

Yours faithfully,
For and on behalf of,
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor (GP)
MRICS MHKIS MSc (e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty-five years' experiences in undertaking valuations of properties in Hong Kong and has over eighteen years' experiences in valuations of properties in the PRC. Moreover, Mr. Raymond Ho Kai Kwong has been assisted by an associate, who has extensive experience in valuations of properties in South Africa, in valuing leased properties in South Africa.

SUMMARY OF VALUATION

Group I – Property interest held and occupied by the Group in the PRC

<u>Property</u>	<u>Market Value in existing state as at 31 January 2012</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 January 2012</u>
1. An industrial complex located at No. 53 Xin Guan East Road, Guanlin Town, Yixing City, Jiangsu Province, the PRC	RMB304,800,000 (equivalent to approximately HK\$374,720,000)	100%	RMB304,800,000 (equivalent to approximately HK\$374,720,000)
Sub-total:	RMB304,800,000 (equivalent to approximately HK\$374,720,000)		RMB304,800,000 (equivalent to approximately HK\$374,720,000)

Group II – Property interests rented and occupied by the Group in South Africa

<u>Property</u>	<u>Market Value in existing state as at 31 January 2012</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 January 2012</u>
2. Flat 21 of Section 29, Constantia Estate, Corner Bind and Van Vuuren Streets, Allen's Nek Extension 25, South Africa	No commercial value	100%	Nil

APPENDIX III

PROPERTY VALUATION

<u>Property</u>	<u>Market Value in existing state as at 31 January 2012</u>	<u>Interest attributable to the Group</u>	<u>Market Value in existing state attributable to the Group as at 31 January 2012</u>
3. Unit 27, Magnolia Gardens, Allen's Nek Extension 44, South Africa	No commercial value	100%	Nil
4. Unit A2, Selby Industrial Park, Corner Prop and John Streets, Selby, Erf 549 Selby Extension 11, South Africa	No commercial value	100%	Nil
5. Unit A1, Selby Industrial Park, Corner Prop and John Streets, Selby, Erf 549 Selby Extension 11, South Africa	No commercial value	100%	Nil
6. Unit 10, Mulberry Gardens, Allen's Nek Extension 44, South Africa	No commercial value	100%	Nil
Sub-total:	Nil		Nil
Grand total:	RMB304,800,000		RMB304,800,000
	(equivalent to approximately HK\$374,720,000)		(equivalent to approximately HK\$374,720,000)

VALUATION CERTIFICATES

Group I – Property interest held and occupied by the Group in the PRC

Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2012
1.	An industrial complex located at No. 53 Xin Guan East Road, Guanlin Town, Yixing City, Jiangsu Province, the PRC	<p>The property comprises four parcels of land with a total site area of approximately 301,070.80 sq.m. and 56 buildings and various ancillary structures erected thereon completed in various stages between 2004 and 2010.</p> <p>The buildings have a total gross floor area of approximately 156,275.26 sq.m. The buildings mainly include workshops, warehouses, boiler room, transformer rooms and office buildings.</p> <p>The structures mainly include roads, walls, sheds and pools.</p> <p>There is a workshop of gross floor area of approximately 21,635 sq.m. under construction and scheduled to be completed in 2012.</p> <p>The property has been granted a land use rights for various terms with the earliest expiry date on 9 January 2052 for industrial uses.</p>	<p>RMB304,800,000</p> <p>(equivalent to approximately HK\$374,720,000)</p> <p>Interest attributable to the Group</p> <p style="text-align: right;">100%</p> <p>Market Value in existing state attributable to the Group as at 31 January 2012</p> <p>RMB304,800,000</p> <p>(equivalent to approximately HK\$374,720,000)</p>
		<p>The property is currently occupied by the Group for production, office and ancillary uses.</p> <p>Portions of the warehouses of total gross floor area of approximately 40,000 sq.m. and open storage spaces of a total area of approximately 260,000 sq.m. of the property are leased to CMST Development Co., Ltd. Wuxi Logistics Centre (中儲發展股份有限公司無錫物流中心), an independent third party, for a term from 19 November 2011 to 9 August 2012 at nil rent.</p> <p>Portions of the open storage spaces of a total area of approximately 5,000 sq.m. of the property are leased to Wuxi Andali Assets Management Co., Ltd. (無錫安達利資產管理有限公司), an independent third party, for a term from 15 November 2011 to 15 November 2013 at a total rent of RMB1.</p>	

Notes:

- According to four State-owned Land Use Rights Certificates (Document Nos.: Yi Guo Yong (2004) No. 000792, Yi Guo Yong (2006) Nos. 000176 and 000177 and Yi Guo Yong (2007) 103259), the land use rights of the property having a total site area of approximately 301,070.80 sq.m. have been granted to Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) for industrial uses for terms expiring on 24 June 2054, 29 January 2052, 9 January 2052 and 2 April 2057 respectively.

2. According to 39 Building Ownership Certificates (Document Nos.: Yi Fang Quan Zheng Guan Lin Zi Nos. E0001237 to E0001252, E0002728 to E0002736, E0004527, E0004528 and 1000017625 to 1000017634, 1000017636 and 1000017637), the building ownership rights of 39 buildings with a total gross floor area of approximately 154,032.36 sq.m. are owned by Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司).
3. In the valuation of the property, we have attributed no commercial value to 17 buildings of total gross floor area of approximately 2,242.9 sq.m. which have not obtained Building Ownership Certificates. However, for reference purposes, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB1,520,000 (equivalent to approximately HK\$1,870,000) assuming relevant title ownership certificates have been obtained and they could be freely transferred.
4. According to a mortgage agreement and 28 Others Rights Certificates (Document Nos.: Yi Ta Xiang (2010) Nos. 600417, 600418 and 600419 and Yi Fang Ta Zheng Yi Cheng Zi Nos. 1000014289 to 1000014301 and 1000014303 to 1000014314), 3 land parcels of the property having a total site area of approximately 268,716.90 sq.m. and 25 buildings of the property having a total gross floor area of approximately 112,350.46 sq.m. are subject to a mortgage in favour of Bank of China Co., Ltd., Yixing Branch for borrowings made during the term from 16 March 2010 to 15 March 2012.
5. According to a mortgage agreement and an Others Rights Certificate (Document No.: Yi Ta Xiang (2009) No. 601463), a land parcel of the property having a site area of approximately 32,353.90 sq.m. is subject to a mortgage in favour of Agricultural Bank of China Co., Ltd., Yixing Branch for borrowings made during the term from 7 December 2009 to 6 December 2011.
6. According to a Planning Permit for Construction Works (Document Nos.: Jian Zi No. Zhen 320282200900397) issued by Yixing City Planning Bureau on 12 June 2009, the construction works of a workshop with a gross floor area of 21,635 sq.m. is in compliance with the urban construction requirements and are approved.
7. According to a lease agreement entered into between Wuxi Jiangnan Cable Co., Ltd. (Party A) and CMST Development Co., Ltd. Wuxi Logistics Centre (中儲發展股份有限公司無錫物流中心) (Party B) dated 19 November 2011, portions of the warehouses of a total gross floor area of approximately 40,000 sq.m. and open storage spaces of a total area of approximately 260,000 sq.m. of the property have been leased to Party B from Party A for a term from 19 November 2011 to 9 August 2012 at nil rent for the purpose of providing on-site storage facilities for Party B to manage and store materials that Wuxi Jiangnan Cable Co., Ltd. pledged as collaterals for certain bank borrowings.
8. According to a lease agreement entered into between Wuxi Jiangnan Cable Co., Ltd. (Party A) and Wuxi An Da Li Assets Management Co., Ltd. (無錫安達利資產管理有限公司) (Party B) dated 15 November 2011, portions of the open storage spaces of a total area of approximately 5,000 sq.m. of the property have been leased to Party B from Party A for a term from 15 November 2011 to 15 November 2013 at a total rent of RMB1 for the purpose of providing on-site storage facilities for Party B to manage and store materials that Wuxi Jiangnan Cable Co., Ltd. pledged as collaterals for certain bank borrowings.
9. Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) is an indirect wholly-owned subsidiary of the Company.
10. The PRC legal opinion states, *inter alia*, the following:
 - (i) Save as disclosed in Note 3, Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) has legally obtained the land use rights and the building ownership rights of the property and is legally entitled to occupy, use, transfer, lease and mortgage the property.
 - (ii) Except the mortgages disclosed in Notes 4 and 5, the property is free from other mortgages, charges and third party encumbrances.
 - (iii) Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) is not restricted by the mortgages to use the property.
 - (iv) The existing use of the property is in compliance with the prescribed uses.

Group II – Property interests rented and occupied by the Group in South Africa

<u>Property</u>	<u>Description and Tenancy particulars</u>	<u>Particulars of occupancy</u>	<u>Market Value in existing state as at 31 January 2012</u>
2. Flat 21 of Section 29, Constantia Estate, Corner Bind and Van Vuuren Streets, Allen's Nek Extension 25, South Africa	<p>The property comprises a residential unit on the 1st and 2nd Floors of a two-storey residential building completed in 2002.</p> <p>The property has a gross floor area of approximately 124 sq.m.</p> <p>The property is leased to SA Asia Cable (Pty) Ltd. by Lizel Burger, an independent third party, for a term of 1 year from 16 November 2011 to 15 November 2012 at an annual rent of South Africa Rand 75,600.</p>	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. SA Asia Cable (Pty) Ltd. is an indirect wholly-owned subsidiary of the Company.
2. The existing use of the property is in compliance with the prescribed uses.

Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 January 2012
3. Unit 27, Magnolia Gardens, Allen's Nek Extension 44, South Africa	The property comprises a residential unit on the 1st and 2nd Floors of a two-storey residential building completed in 2002.	The property is occupied by the Group for residential use.	No commercial value
	The property has a gross floor area of approximately 138 sq.m.		
	The property is leased to SA Asia Cable (Pty) Ltd. by Move-On-Up 1064 CC, an independent third party, for a term of 1 year from 1 December 2011 to 30 November 2012 at a total rent of South Africa Rand 74,800 paid in one lump sum.		

Notes:

1. SA Asia Cable (Pty) Ltd. is an indirect wholly-owned subsidiary of the Company.
2. The existing use of the property is in compliance with the prescribed uses.

Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 January 2012
4. Unit A2, Selby Industrial Park, Corner Prop and John Streets, Selby, Erf 549 Selby Extension 11, South Africa	<p>The property comprises a commercial unit on the 1st Floor of a one-storey commercial building completed in 2000.</p> <p>The property has a gross floor area of approximately 415 sq.m.</p> <p>The property is leased to SA Asia Cable (Pty) Ltd. by Stand 549 Selby (Pty) Ltd., an independent third party, for a term of 3 years from 1 August 2011 to 31 July 2014 at a monthly rent of South Africa Rand 16,804.09 for the period from 1 August 2011 to 31 July 2012; South Africa Rand 18,378.32 for the period from 1 August 2012 to 31 July 2013; and South Africa Rand 20,109.98 for the period from 1 August 2013 to 31 July 2014. The rents are inclusive of rates and value added tax.</p>	The property is occupied by the Group for commercial use.	No commercial value

Notes:

1. SA Asia Cable (Pty) Ltd. is an indirect wholly-owned subsidiary of the Company.
2. The existing use of the property is in compliance with the prescribed uses.

Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 January 2012
5. Unit A1, Selby Industrial Park, Corner Prop and John Streets, Selby, Erf 549 Selby Extension 11, South Africa	<p>The property comprises a commercial unit on the 1st Floor of a one-storey commercial building completed in 2000.</p> <p>The property has a gross floor area of approximately 419 sq.m.</p> <p>The property is leased to SA Asia Cable (Pty) Ltd. by Stand 549 Selby (Pty) Ltd., an independent third party, for a term of 3 years from 1 August 2011 to 31 July 2014 at a monthly rent of South Africa Rand 16,720.06 for the period from 1 August 2011 to 31 July 2012; South Africa Rand 18,284.87 for the period from 1 August 2012 to 31 July 2013; and South Africa Rand 20,006.16 for the period from 1 August 2013 to 31 July 2014. The rents are inclusive of rates and value added tax.</p>	The property is occupied by the Group for commercial use.	No commercial value

Notes:

1. SA Asia Cable (Pty) Ltd. is an indirect wholly-owned subsidiary of the Company.
2. The existing use of the property is in compliance with the prescribed uses.

Property	Description and Tenancy particulars	Particulars of occupancy	Market Value in existing state as at 31 January 2012
6. Unit 10, Mulberry Gardens, Allen's Nek Extension 44, South Africa	<p>The property comprises a residential unit on the 1st Floor of a two-storey residential building completed in 2002.</p> <p>The property has a gross floor area of approximately 125 sq.m.</p> <p>The property is leased to SA Asia Cable (Pty) Ltd. by ASE Ellis, an independent third party, for a term of 1 year expiring on 28 February 2013 at a monthly rent of South Africa Rand 6,395.</p>	The property is occupied by the Group for residential use.	No commercial value

Notes:

1. SA Asia Cable (Pty) Ltd. is an indirect wholly-owned subsidiary of the Company.
2. The existing use of the property is in compliance with the prescribed uses.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Companies Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 January 2011 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, *inter alia*, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 25 February 2012. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with our Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;

- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way

of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or

revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution – majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the

auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant Share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles) and/or any competent regulatory authority.

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. COMPANIES LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by our company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of our company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of our company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of our company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of our company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our company to challenge (a) an act which is *ultra vires* our company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our company in issue, appoint an inspector to examine into the affairs of our company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that our company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our company's affairs in the future, (b) an order requiring our company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of our company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our company by other shareholders or by our company itself and, in the case of a purchase by our company itself, a reduction of our company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by our company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our company; and (iii) the assets and liabilities of our company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 18 January 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to

be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Companies Law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND THE SUBSIDIARIES OF OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 4 January 2011 with an authorised share capital of HK\$100,000 divided into 10,000,000 Shares.

Our Company has established its principal place of business in Hong Kong at Room 303, 3rd Floor, 50 Connaught Road C., Central, Hong Kong. Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 10 March 2011. Mr. Chan Man Kiu has been appointed as the authorised representative of our Company for acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the relevant laws and regulations of the Cayman Islands and its constitution which comprises the Memorandum and the Articles. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company***(a) Increase in authorised share capital***

On 4 January 2011, one Share was allotted and issued, nil-paid, to Codan Trust Company (Cayman) Limited and such nil-paid Share was transferred to Power Heritage.

The authorised share capital of our Company was increased from HK\$100,000 to HK\$100,000,000 pursuant to a resolution passed by our then sole Shareholder on 25 February 2012.

On 25 February 2012, the one issued nil-paid Share held by Power Heritage was credited as fully paid at par and a total of 9,999,999 Shares were allotted and issued, credited as fully-paid, as to 9,579,999 Shares to Power Heritage, 231,000 Shares to Furu Investments and 189,000 Shares to Sinostar, as more particularly described in the paragraph headed "Reorganisation" below in this Appendix.

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares, of which 1,538,600,000 Shares will be issued fully paid or credited as fully paid, and 8,461,400,000 Shares will remain unissued. If the Over-allotment Option is exercised in full, immediately following completion of the Global Offering, the Capitalisation Issue and the issue of Shares pursuant to the exercise of the Over-allotment Option, the issued share capital of our Company will comprise 1,596,320,000 Shares and 8,403,680,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option, our Company does not have any present intention to issue any of the authorised but unissued share capital and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this sub-paragraph and in sub-paragraphs 1, 3 and 4 under the paragraph headed “Further information about our Company and the subsidiaries of our Group” in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of all Shareholders passed on 25 February 2012

By resolutions in writing of all Shareholders passed on 25 February 2012:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any conditions thereof) and not being terminated in accordance with the terms of such agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the New Shares and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option as they see fit, on and subject to the terms and conditions stated in this prospectus and relevant Application Forms;

- (ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to allot and issue a total of 1,190,000,000 Shares credited as fully paid at par to the holders of Shares whose names appear on the register of members of our Company at 4:00 p.m. on 25 February 2012 (or as they may direct) in proportion to their then existing respective shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of capitalisation of the sum of HK\$11,900,000 standing to the credit of the share premium account of our Company, and the Shares be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation and distribution;
- (iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend on Shares in accordance with the Articles or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, unissued Shares in the capital of our Company with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and (bb) the aggregate nominal amount of any share capital of our Company purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (iv) below, and to make or grant offers, agreements and options which may require the exercise of such powers, until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors;
- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, until the earliest of the conclusion of the next

annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors; and

- (v) the general unconditional mandate mentioned in sub-paragraph (iii) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted, issued or dealt with by our Directors pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the Shares in the capital of our Company purchased by our Company pursuant to or in accordance with the authority granted under sub-paragraph (iv) above.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing, which involved the following:

- (a) on 15 December 2010, Jiangnan Cable (HK) was incorporated under the laws of Hong Kong as a limited liability company with an authorised capital of HK\$10,000 divided into 10,000 shares of HK\$1 each. Upon incorporation, one share was allotted and issued to Extra Fame for cash at par;
- (b) on 20 December 2010, Extra Fame and Jiangnan Cable (HK) entered into an equity transfer agreement, pursuant to which Extra Fame transferred the entire equity interest of Jiangnan Cable to Jiangnan Cable (HK). The consideration was satisfied by Jiangnan Cable (HK) issuing and allotting nine new shares, credited as fully paid, to Extra Fame on 25 January 2011;
- (c) on 28 December 2010, a resolution was passed to increase the authorised share capital of Extra Fame from US\$10,000,000 divided into 10,000,000 shares of US\$1 each to US\$11,000,000 divided into 11,000,000 shares of US\$1 each;
- (d) on 4 January 2011, our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability with an authorised capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each. Upon incorporation, one nil-paid share (the "Nil-paid Share") was issued and allotted to Codan Trust Company (Cayman) Limited and the Nil-paid Share was then transferred to Power Heritage on 4 January 2011;
- (e) on 14 January 2011, Extra Fame issued (i) 241,127 new shares of US\$1 each to Furui Investments at a consideration of US\$5,500,000 and (ii) 197,286 new shares of US\$1 each to Sinostar at a consideration of US\$4,500,000;

- (f) on 14 January 2011, Mr. Rui Yiping transferred 1,700,000 shares of Extra Fame, being all the shares of Extra Fame he owned, to Power Heritage, in consideration of Power Heritage's allotment and issue, credited as fully paid, of 16 shares to Mr. Rui Yiping; and Mr. Rui Fubin subscribed for 82 shares in Power Heritage for cash at par;
- (g) on 25 February 2012, by resolutions in writing of our then sole Shareholder, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares; and
- (h) on 25 February 2012, all the shareholders of Extra Fame, namely, Power Heritage, Furui Investments and Sinostar, entered into a share transfer agreement with our Company, pursuant to which the shareholders of Extra Fame transferred the entire issued share capital of Extra Fame to our Company. As the consideration of the acquisition, our Company, on 25 February 2012, issued and allotted 9,579,999, 231,000 and 189,000 new Shares to Power Heritage, Furui Investments and Sinostar, respectively, and credited the one Nil-paid Share held by Power Heritage as fully paid. As a result, our Company was held as to 95.8% by Power Heritage, 2.31% by Furui Investments and 1.89% by Sinostar.

5. Changes in share capital or registered capital of the subsidiaries of our Company

The subsidiaries of our Group are listed in the Accountants' Report set out in Appendix I to this prospectus.

In addition to the alterations as disclosed in the paragraph headed "Reorganisation" of this Appendix, Jiangnan Cable was approved to increase its registered capital on 6 December 2010 from US\$20,000,000 to US\$50,000,000.

Save as disclosed above and in the paragraph headed "Reorganisation" of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within two years immediately preceding the date of this prospectus.

6. Further information about our Group's PRC establishment

Our Group has interests in the registered capital of one enterprise established in the PRC, namely Jiangnan Cable. A summary of the corporate information of Jiangnan Cable is set out as follows:

- | | |
|--|---|
| (i) Name of the enterprise: | 無錫江南電纜有限公司
(unofficial English translation being Wuxi Jiangnan Cable Co., Ltd.) |
| (ii) Date of establishment: | 25 February 2004 |
| (iii) Place of establishment: | PRC |
| (iv) Type of business: | Wholly foreign-owned enterprise |
| (v) Registered owner: | Jiangnan Cable (HK) (100%) |
| (vi) Total investment: | US\$75,260,000 |
| (vii) Registered capital: | US\$50,000,000 (as to US\$30,000,000 was paid up as at the Latest Practicable Date) |
| (viii) Attributable interest to our Group: | 100% |
| (ix) Term: | 25 February 2004 to 24 February 2054 |
| (x) Scope of business: | Production and research and development of special cables and ultra high voltage cables with rated voltage of more than 500kV, and ultra high voltage conductor with rated voltage of 1,000kV; production of electronic wires and electronic cables and the related raw and auxiliary materials and accessories, high temperature insulation materials (Levels F and H), insulation shaped parts (excluding those under national restrictions and prohibited classes) |

7. Repurchase by our Company of our own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Group of our own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Main Board of the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by all Shareholders on 25 February 2012, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Main Board of the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the laws of the Cayman Islands, any repurchases of Shares by our Company may be made out of profits of our Company, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of profits or the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands. On the basis of our current financial position as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention to sell any Shares to our Company or any of its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No connected person of our Company has notified us that he/she/it has a present intention to sell his/her/its Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Investment Agreement;
- (b) an equity transfer agreement dated 20 December 2010 and entered into between Extra Fame as vendor and Jiangnan Cable (HK) as purchaser pursuant to which Jiangnan Cable (HK) acquired 100% of the equity interest in Jiangnan Cable from Extra Fame for a consideration of US\$30,000,000;
- (c) a sale and purchase agreement dated 25 February 2012 and entered into among Power Heritage, Furui Investments and Sinostar as vendors, our Company as purchaser, Mr. Rui Fubin, Mr. Rui Yiping, Mr. Wang Fucui and Mr. Ng Cher Yew as warrantors, pursuant to which our Company acquired the entire issued share capital of Extra Fame from Power Heritage, Furui Investments and Sinostar in consideration of our Company allotting and issuing 9,999,999 Shares, credited as fully paid, to Power Heritage, Furui Investments and Sinostar (as to 9,579,999 Shares to Power Heritage, 231,000 Shares to Furui Investments and 189,000 Shares to Sinostar) and crediting as fully paid at par one nil-paid Share held by Power Heritage;
- (d) a deed of non-competition dated 25 February 2012 executed by Power Heritage, Mr. Rui Fubin and Mr. Rui Yiping in favour of our Company (for itself and as trustee of other members of our Group), details of which are set out in the paragraph headed “Non-Competition Undertakings” in the section headed “Relationship with the Controlling Shareholders” of this prospectus;
- (e) a deed of indemnity dated 5 April 2012 executed by Power Heritage, Mr. Rui Fubin and Mr. Rui Yiping in favour of our Company for itself and as trustee for the subsidiaries of our Company stated therein containing the indemnities more particularly referred to in sub-paragraph headed “Estate duty, tax and other indemnity” in the paragraph headed “Other information” of this Appendix; and
- (f) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks which are material in relation to our business:

	Name of proprietor	Registration		Trademark	Place of Registration	Duration of Validity (year.month.date)
		number	Class			
1.	Jiangnan Cable	872671	9 (note 1)		PRC	1996.09.21 to 2016.09.20
2.	Jiangnan Cable	4804641	6 (note 2)		PRC	2009.02.14 to 2019.02.13
3.	Jiangnan Cable	2005/09450	9 (note 3)		South Africa	2005.5.12 to 2015.5.11
4.	Jiangnan Cable	2008/10375	9 (note 4)		South Africa	2008.05.06 to 2018.05.05
5.	Jiangnan Cable (HK)	301796239	9 (note 5)		Hong Kong	2010.12.22 to 2020.12.21
6.	Jiangnan Cable (HK)	301796248	9 (note 5)		Hong Kong	2010.12.22 to 2020.12.21

Notes:

- Class 9: Wires, cables
- Class 6: Clips for metal pipes; non-electric metal cable joints; metal clips for cables and pipes; aluminium alloy pulley; tight wire clip head; machine belts with reinforcing metal materials; screws for binding metal cable and wire
- Class 9: Materials for electricity mains (wires, cables); cables, electric, wires, electric, magnetic wires; ducts for housing electrical wires; telephone wires; copper wire, insulated; semiconductor devices, coaxial cables
- Class 9: Electric cables; electric wires; electric mains (material for-) wires, cables; insulated copper wires; coaxial cables; starting cables for engines; magnetic wires; bus ducts; semiconductor devices; optical fibers
- Class 9: Cables; wires; identification threads for electric wires; telegraph wires; electricity materials (wires and cables); insulated copper wire; telephone wires; tube case for cable terminated wire; starter cables for motors; coaxial cables

*(b) Patents**(i) Registered patents owned by our Group*

As at the Latest Practicable Date, our Group was the registered owner of the following patents which are material to our business:

	<u>Name of proprietor</u>	<u>Title of patent</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Duration of Validity (year.month.date)</u>
1.	Jiangnan Cable	Cluster aerial electrical leads (集束架空導線)	PRC	ZL 03 1 13334.7	2003.04.26 to 2023.04.25
2.	Jiangnan Cable	Flexible PVC plastic for wires and cables (電線電纜用軟聚氯乙稀塑料)	PRC	ZL 2005 1 0094414.6	2005.09.16 to 2025.09.15
3.	Jiangnan Cable; and 無錫市歐美電纜材料有限公司 (unofficial English translation, Wuxi City Oumei Cable Materials Company Limited)	EP rubber for wires and cables (電線電纜用乙丙橡皮)	PRC	ZL 2006 1 0161495.1	2006.12.21 to 2026.12.20
4.	Jiangnan Cable	A type of water blocking branch cables (一種阻水型分支電纜)	PRC	ZL 2009 2 0283130.5	2009.12.29 to 2019.12.28
5.	Jiangnan Cable	A type of high temperature resistant cables (一種耐高溫電纜)	PRC	ZL 03 2 21540.1	2003.04.26 to 2013.04.25
6.	Jiangnan Cable	A type of improved prefabricated branch cables (一種改良的預製分支電纜)	PRC	ZL 03 2 78121.0	2003.08.25 to 2013.08.24

					Duration of Validity (year.month. date)
	Name of proprietor	Title of patent	Place of Registration	Patent Number	
7.	Jiangnan Cable	Water blocking and waterproof tree-like cables (阻水抗水樹電纜)	PRC	ZL 2004 2 0062458.1	2004.07.01 to 2014.06.30
8.	Jiangnan Cable	Enhanced rubber-sheathed cables for mining (加強型礦用橡套電纜)	PRC	ZL 2004 2 0062459.6	2004.07.01 to 2014.06.30
9.	Jiangnan Cable	Photoelectric composite cables (光電複合纜)	PRC	ZL 2004 2 0062460.9	2004.07.01 to 2014.06.30
10.	Jiangnan Cable	A type of improved spring cables (一種改進的彈簧電纜)	PRC	ZL 2004 2 0062067.X	2004.06.15 to 2014.06.14
11.	Jiangnan Cable	A type of load bearing cables for mining (一種承荷礦用電纜)	PRC	ZL 2004 2 0062068.4	2004.06.15 to 2014.06.14
12.	Jiangnan Cable	Three-core cables (三芯電纜)	PRC	ZL 2006 2 0073748.5	2006.06.15 to 2016.06.14
13.	Jiangnan Cable	Five-core coaxial cables (五芯同心電纜)	PRC	ZL 2006 2 0073749.X	2006.06.15 to 2016.06.14
14.	Jiangnan Cable	Cables of strippable jacket (護套易剝離電纜)	PRC	ZL 2006 2 0074167.3	2006.06.16 to 2016.06.15
15.	Jiangnan Cable	Composite cables with control cores (帶控制線芯的複合 電纜)	PRC	ZL 2006 2 0074168.8	2006.06.16 to 2016.06.15
16.	Jiangnan Cable	Cable conductors and cables with identification function (具有識別功能的電纜導 體及電纜)	PRC	ZL 2007 2 0045737.0	2007.08.29 to 2017.08.28
17.	Jiangnan Cable	Aerial stranded wires (架空絞線)	PRC	ZL 2008 2 0039912.X	2008.07.17 to 2018.07.16
18.	Jiangnan Cable	Flexible cables (軟電纜)	PRC	ZL 2008 2 0039908.3	2008.07.17 to 2018.07.16
19.	Jiangnan Cable	Molds for cabling, abraiding wires (用於成纜、編織的併 線模)	PRC	ZL 2008 2 0039909.8	2008.07.17 to 2018.07.16

	Name of proprietor	Title of patent	Place of Registration	Patent Number	Duration of Validity (year.month.date)
20.	Jiangnan Cable	Loose wrapped copper shielded high voltage cables (銅絲疏繞屏蔽高壓電纜)	PRC	ZL 2008 2 0039911.5	2008.07.17 to 2018.07.16
21.	Jiangnan Cable	Expanded diameter electrical leads (擴徑導線)	PRC	ZL 2008 2 0039910.0	2008.07.17 to 2018.07.16
22.	Jiangnan Cable	Armored cables (鎧裝電纜)	PRC	ZL 2008 2 0039913.4	2008.07.17 to 2018.07.16
23.	Jiangnan Cable	Loaded and stranded power cables (承載絞合型電力電纜)	PRC	ZL 2009 2 0037444.7	2009.02.13 to 2019.02.12
24.	Jiangnan Cable	A type of easy identification cables (一種易識別電纜)	PRC	ZL 2009 2 0039364.5	2009.05.07 to 2019.05.06
25.	Jiangnan Cable	A type of bobbin cage disks with wire stranding positioning device (一種具有型線絞製定位裝置的絞籠盤)	PRC	ZL 2010 1 0574798.2	2010.12.06 to 2030.12.05
26.	Jiangnan Cable	Cable (1) (電纜 (1))	PRC	ZL 2006 3 0309346.6	2006.12.08 to 2016.12.07
27.	Jiangnan Cable	Cable (2) (電纜 (2))	PRC	ZL 2006 3 0309345.1	2006.12.08 to 2016.12.07
28.	Jiangnan Cable	Cable (3) (電纜 (3))	PRC	ZL 2006 3 0309344.7	2006.12.08 to 2016.12.07
29.	Jiangnan Cable	Cable (4) (電纜 (4))	PRC	ZL 2006 3 0309343.2	2006.12.08 to 2016.12.07
30.	Jiangnan Cable	Cable (5) (電纜 (5))	PRC	ZL 2006 3 0309342.8	2006.12.08 to 2016.12.07
31.	Jiangnan Cable	Cable Conductors (電纜導體)	PRC	ZL 2007 3 0181715.2	2007.08.31 to 2017.08.30
32.	Jiangnan Cable	Cable Conductors (電纜導體)	PRC	ZL 2007 3 0148478.X	2007.08.29 to 2017.08.28
33.	Jiangnan Cable	Cable Conductors (1) (電纜導體 (1))	PRC	ZL 2007 3 0181714.8	2007.08.31 to 2017.08.30
34.	Jiangnan Cable	Cable conductors (2) (電纜導體 (2))	PRC	ZL 2007 3 0181713.3	2007.08.31 to 2017.08.30

					Duration of Validity (year.month. date)
	Name of proprietor	Title of patent	Place of Registration	Patent Number	
35.	Jiangnan Cable	Racks of expanded diameter electrical leads (1) (擴徑導線支架 (1))	PRC	ZL 2008 3 0197007.2	2008.07.17 to 2018.07.16
36.	Jiangnan Cable	Racks of expanded diameter electrical leads (2) (擴徑導線支架 (2))	PRC	ZL 2008 3 0197008.7	2008.07.17 to 2018.07.16
37.	Jiangnan Cable	Cable conductors and cables with identification function and manufacturing and preparing methods of the conductors and molding devices (具有識別功能電纜導體及電纜和該導體製備方法及成型裝置)	PRC	ZL 2007 1 0131569.1	2007.09.03 to 2027.09.02
38.	Jiangnan Cable	Flexible flame-retardant cables (柔性防火電纜)	PRC	ZL 2009 2 0283131.X	2009.12.29 to 2019.12.28
39.	Jiangnan Cable	A type of oval electrical leads (一種橢圓形導線)	PRC	ZL 2009 2 0283132.4	2009.12.29 to 2019.12.28
40.	Jiangnan Cable	A type of self supporting aerial insulated cables (一種自承式架空絕緣電纜)	PRC	ZL 2009 2 0283133.9	2009.12.29 to 2019.12.28
41.	Jiangnan Cable	A type of supportive aerial insulated cables (一種支撐式架空絕緣電纜)	PRC	ZL 2009 2 0283134.3	2009.12.29 to 2019.12.28
42.	Jiangnan Cable	A type of monitoring cables for mining (一種監視型礦用電纜)	PRC	ZL 2009 2 0283135.8	2009.12.29 to 2019.12.28
43.	Jiangnan Cable	A type of bobbin cage disks with wire stranding positioning devices (一種具有型線絞製定位裝置的絞籠盤)	PRC	ZL 2010 2 0643621.9	2010.12.06 to 2020.12.05

					Duration of Validity (year.month. date)
	Name of proprietor	Title of patent	Place of Registration	Patent Number	
44.	Jiangnan Cable	A type of armored multi-cores branch cables (一種鎧裝多芯分支電纜)	PRC	ZL 2010 2 0643622.3	2010.12.06 to 2020.12.05
45.	Jiangnan Cable	A type of prefabricated branch cables (一種預製分支電纜)	PRC	ZL 2010 2 0643623.8	2010.12.06 to 2020.12.05
46.	Jiangnan Cable	A type of armored branch cables (一種鎧裝分支電纜)	PRC	ZL 2010 2 0643627.6	2010.12.06 to 2020.12.05
47.	Jiangnan Cable	A type of water blocking mid-voltage cables for mining (一種礦用阻水中壓電纜)	PRC	ZL 2010 2 0651590.1	2010.12.10 to 2020.12.09
48.	Jiangnan Cable	A type of high voltage shielded coaxial cables (一種高壓同軸屏蔽電纜)	PRC	ZL 2010 2 0651603.5	2010.12.10 to 2020.12.09
49.	Jiangnan Cable	A type of flame-retardant rubber-sheathed flexible cables (一種礦用耐火橡套軟電纜)	PRC	ZL 2010 2 0651610.5	2010.12.10 to 2020.12.09
50.	Jiangnan Cable	A type of device that is used to test the anti-aging and water-free-resistant performance of mid-voltage cables (一種測試中壓電纜抗老化及抗水樹性能的設備)	PRC	ZL 2010 2 0667714.5	2010.12.20 to 2020.12.19
51.	Jiangnan Cable	A type of easy identification cables, its extruding molds and manufacturing methods (一種易識別電纜、其擠製模具及製造方法)	PRC	ZL 2009 1 0026625.4	2009.05.07 to 2029.05.06
52.	Jiangnan Cable	Mechanical coiling longitudinally wrapping paper tape devices (機械式收線縱包紙帶裝置)	PRC	ZL 2009 1 0026624.X	2009.05.07 to 2029.05.06
53.	Jiangnan Cable	A type of matt wire (一種亞光導線)	PRC	ZL 2011 2 0124835.X	2011.04.26 to 2021.04.25

(ii) Application for registration of patents

As at the Latest Practicable Date, our Group had applied for registration of the following patents, the registration of which had not yet been granted:

	<u>Name of applicant</u>	<u>Title of patent</u>	<u>Place of application</u>	<u>Patent application number</u>	<u>Application date (year.month.date)</u>
1.	Jiangnan Cable	Cores of different colors and extruding molds (分色線芯及擠製模具)	PRC	200520075568.6	2005.09.16
2.	Jiangnan Cable	A type of device that is used to test the anti-aging and water-free-resistant performance of mid voltage cables (一種測試中壓電纜抗老化及抗水樹性能的設備)	PRC	201010595007.4	2010.12.20
3.	Jiangnan Cable	A type of matt wire (一種亞光導線)	PRC	201110104421.5	2011.04.26
4.	Jiangnan Cable	The processing method and device of a type of matt wire (一種亞光導線的加工方法和設備)	PRC	201110104422.X	2011.04.26
5.	Jiangnan Cable; and Xian Jiaotong University (西安交通大學)	DC high voltage XLPE cable insulation thickness design method (高壓交聯聚乙烯直流電纜的絕緣厚度設計方法)	PRC	201110221362.X	2011.08.03
6.	Jiangnan Cable; and Xian Jiaotong University (西安交通大學)	A type of DC 110kV XLPE insulated single core land cable (一種直流110kV交聯聚乙烯絕緣單芯陸地電纜)	PRC	201120280241.8	2011.08.03
7.	Jiangnan Cable	A type of withdrawal straightening device for bow cabling device (一種弓型成纜機退回矯正裝置)	PRC	201110378475.0	2011.11.24
8.	Jiangnan Cable	A type of semi-conductive shielding material for cable (一種電纜半導電屏蔽材料)	PRC	201110378477.X	2011.11.24

	<u>Name of applicant</u>	<u>Title of patent</u>	<u>Place of application</u>	<u>Patent application number</u>	<u>Application date (year.month.date)</u>
9.	Jiangnan Cable	A type of preparing method for semi-conductive shielding tape for high voltage direct current cable (一種高壓直流電纜半導體屏蔽帶的製備方法)	PRC	201110378479.9	2011.11.24
10.	Jiangnan Cable	A type of preparing method for semi-conductive tape for high voltage direct current cable (一種高壓直流電纜半導體阻水帶的製備方法)	PRC	201110378480.1	2011.11.24
11.	Jiangnan Cable	A type of ultra-smooth semi-conductive shielding material for high voltage direct current cable (一種高壓直流電纜用超光滑半導體屏蔽材料)	PRC	201110378481.6	2011.11.24
12.	Jiangnan Cable	A type of extruder barrel (一種擠出機機筒)	PRC	201120473641.0	2011.11.24
13.	Jiangnan Cable	A type of rotating gas joint for rigid frame stranding machine (一種框式絞線機旋轉氣接頭)	PRC	201120473645.9	2011.11.24
14.	Jiangnan Cable	A type of high voltage direct current land cable (一種高壓直流陸地電纜)	PRC	201120473646.3	2011.11.24
15.	Jiangnan Cable	A type of high voltage direct current submarine cable (一種高壓直流海底電纜)	PRC	201120473647.8	2011.11.24

(c) *Domain names*

As at the Latest Practicable Date, our Group had registered the following domain name which has been currently used by us:

<u>Domain name</u>	<u>Registration date</u>	<u>Expiry date</u>
jncable.com.cn	20 February 2003	20 February 2019
jiangnangroup.com	22 April 2011	21 April 2015

Save as aforesaid, there are no other trade or service marks, patents, other intellectual property rights which are material in relation to our business.

3. Connected transactions and related party transactions

Save as disclosed in this prospectus and in note 31 to section E – related party transactions of the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company did not engage in any other material connected transactions or related party transactions.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interests of Directors*

- (i) Mr. Rui Fubin and Mr. Rui Yiping are interested in the Reorganisation; and
- (ii) save as disclosed in this prospectus, none of our Directors or their respective associates was engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service agreements*

(i) *Executive Directors*

Each of our executive Directors has entered into a service agreement with our Company pursuant to which he/she agreed to act as an executive Director for a fixed term of three years with effect from the Listing Date.

Each of these executive Directors is entitled to a basic salary as set out below. In addition, each of our executive Directors is also entitled to a discretionary management bonus to be decided by our Board and approved by the remuneration committee of our Company. A Director may not vote on any resolution of the Board and the remuneration committee regarding the amount of the management bonus payable to him. The current basic annual salaries of our executive Directors are as follows:

<u>Name</u>	<u>Annual salary</u> (RMB)
Mr. Rui Fubin	840,000
Mr. Rui Yiping	600,000
Ms. Xia Yafang	420,000
Mr. Jiang Yongwei	360,000

(ii) *Independent non-executive Directors*

Each of our independent non-executive Directors has been appointed for a fixed term of three years commencing from 1 March 2012. Each of Mr. He Zhisong, Mr. Wu Changshun and Mr. Yang Rongkai is entitled to an annual director's fee of HK\$100,000 and Mr. Poon Yick Pang Philip is entitled to an annual director's fee of HK\$200,000. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration, for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with our Company or any of the subsidiaries of our Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Remuneration of Directors*

- (i) The aggregate remuneration paid and benefits in kind granted by our Group to our Directors in respect of the financial year ended 31 December 2011 were approximately RMB1,697,000.
- (ii) Under the arrangements currently in force, the aggregate remuneration paid and benefits in kind granted (excluding the discretionary bonus) payable by our Group to our Directors (including our independent non-executive Directors (in their respective capacity as directors)) for the year ending 31 December 2012, are expected to be approximately RMB2,081,000 for our executive Directors and approximately HK\$417,000 for our independent non-executive Directors.

(iii) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of the three years ended 31 December 2011 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

(iv) There has been no arrangement under which a Director waived or agreed to waive any emoluments for each of the three years ended 31 December 2011.

(d) Interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any interests under the Stock Borrowing Agreement), the interests or short positions of our Directors and chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Long positions

<u>Name of Director</u>	<u>Name of Group member/ associated corporation</u>	<u>Capacity/ nature of Interest</u>	<u>Number and class of securities</u>	<u>Approximate percentage of interest</u>
Mr. Rui Fubin	Our Company	Interest of controlled corporation	1,103,400,000 Shares (<i>Note</i>)	71.72%
Mr. Rui Fubin	Power Heritage	Beneficial owner	83 ordinary shares of US\$1 each	83%

<u>Name of Director</u>	<u>Name of Group member/ associated corporation</u>	<u>Capacity/ nature of Interest</u>	<u>Number and class of securities</u>	<u>Approximate percentage of interest</u>
Mr. Rui Yiping	Power Heritage	Beneficial owner	17 ordinary shares of US\$1 each	17%

Note: These Shares are registered in the name of Power Heritage, a company which is 83% owned by Mr. Rui Fubin and 17% owned by Mr. Rui Yiping. Under the SFO, Mr. Rui Fubin is deemed to be interested in all the Shares held by Power Heritage.

2. Interests and/or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO and Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any interests under the Stock Borrowing Agreement), other than a Director or the chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations” above, the persons who will have an interest or short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who will be expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group will be as follows:

Long position

<u>Name</u>	<u>Capacity/ nature of Interest</u>	<u>Number and class of securities</u>	<u>Approximate percentage of interest</u>
Power Heritage	Beneficial owner	1,103,400,000 Shares	71.72%
Ms. Shi Mingxian	Interest of spouse	1,103,400,000 Shares (<i>Note</i>)	71.72%

Note: Under the SFO, Ms. Shi Mingxian, the spouse of Mr. Rui Fubin, is deemed to be interested in all the Shares in which Mr. Rui Fubin is interested in.

3. Directorship or employment in a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO

Each of Mr. Rui Fubin and Mr. Rui Yiping is a director of Power Heritage, a Shareholder which had an interest in the Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 Part XV of the SFO immediately following completion of the Global Offering and the Capitalisation Issue.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) our Directors are not aware of any person (not being a Director or the chief executive of our Company) who will, immediately after completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be taken up under the Global Offering or upon the exercise of the Over-allotment Option and any interests under the Stock Borrowing Agreement), have an interest or a short position in shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (b) none of our Directors or the chief executive of our Company has any interest or short position in any of the shares, underlying shares or debentures of our Company or any of its associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case, immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any interests under the Stock Borrowing Agreement);

- (c) none of our Directors nor any of the parties listed in the sub-paragraph headed “Qualifications of experts” in the paragraph headed “Other information” of this Appendix was interested in the promotion of, or had any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group;
- (d) none of our Directors nor any of the parties listed in the sub-paragraph headed “Qualifications of experts” in the paragraph headed “Other information” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the sub-paragraph headed “Qualifications of experts” in the paragraph headed “Other information” of this Appendix:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued capital of our Company has any interest in our Company’s five largest customers and five largest suppliers during the Track Record Period;
- (g) none of our Directors is interested in any business apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our Group’s business; and
- (h) each of our Directors confirms with respect to himself/herself that: save as disclosed in this prospectus, (i) he/she has not held any directorship in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of our Company; (iii) he/she does not hold any positions in our Company or other members of our Group; (iv) there is no other information that should be disclosed for him/her pursuant to the requirements under Rules 13.51(2)(a) to 13.51(2)(v) of the Listing Rules; and (v) there are no other matters that need to be brought to the attention of our Shareholders in connection with each of our Directors.

D. OTHER INFORMATION**1. Estate duty, tax and other indemnity**

The Controlling Shareholders (collectively the “Indemnifiers”) have entered into a deed of indemnity with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) (being the material contract referred to in item (e) in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” of this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of section 35 or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which the conditions stated in the paragraph headed “Conditions of the Hong Kong Public Offer” under the section headed “Structure of the Global Offering” in this prospectus being fulfilled (“Effective Date”). Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, South Africa, the BVI and the PRC.

Under the deed of indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to any and all tax liabilities together with all reasonable costs (including all legal costs), expenses or other liabilities which in whatever part of the world which might be payable by any member of our Group in respect of among other matters any income, profits, gains, transactions, events, matters or things earned, accrued or received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Effective Date.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited accounts of our Company or any of its subsidiaries up to 31 December 2011; or
- (b) to the taxation falling on any member of our Group in respect of their accounting periods or any accounting period commencing on or after 1 January 2012 unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business after 31 December 2011; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2011 or pursuant to any statement of intention made in this prospectus; or

- (c) to the extent that such claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law or practice coming into force after the Effective Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; or
- (d) to the extent of any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 December 2011 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxations shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the deed of indemnity, the Indemnifiers have also undertaken to indemnify, on a joint and several basis, any member of our Group against:

- (a) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings, actions (including without limitation any legal costs) and taxation which any member of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group arising in connection with the trade financing arrangements as referred to in the paragraph headed "Non-compliant bill financing with suppliers" under the section headed "Business" of this prospectus;
- (b) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings, actions (including without limitation any legal costs) and taxation which any member of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group arising in connection with the failure to obtain the building ownership certificates by members of our Group or any one of them in respect of such buildings as set out in the paragraph headed "Properties" under the section headed "Business" of this prospectus;
- (c) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings, actions (including without limitation any legal costs) and taxation which any member of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group arising in connection with our non-compliance with the housing fund requirements for our Group's employees as set out in the paragraph headed "Relationship with staff" in the section headed "Directors, senior management and staff" of this prospectus; and

- (d) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings, actions (including without limitation any legal costs) which any member of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group arising in connection with the making of advance to/from independent third parties by any member of our Group as set out in the paragraph headed “Advances to and from Independent Third Parties” under the section headed “Financial Information” of this prospectus.

2. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition of our Group as at the Latest Practicable Date.

3. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$40,000 and are payable by our Company.

4. Promoters

Our Company does not have promoter. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

5. Agency fees or commissions received

The Public Offer Underwriters will receive a commission of 2.5% of the aggregate Offer Price in respect of all the Public Offer Shares. It is expected that the International Underwriters will receive a commission of 2.5% of the aggregate Offer Price in respect of all the Placing Shares. Our Company and the Selling Shareholder may also in their sole discretion pay the Sole Global Coordinator (for its account only) an additional incentive fee of up to 0.88% of the Offer Price of all the Offer Shares. The Underwriters will pay any sub-underwriting commissions and selling concessions out of their commission. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering borne by us, assuming an Offer Price of HK\$1.74 (being the mid-point of Offer Price range between HK\$1.42 per Offer Share and HK\$2.05 per Offer Share), are estimated to amount to approximately HK\$43.6 million in total (assuming that the Over-allotment Option is not being exercised).

6. Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice and/or whose names are included in this prospectus:

<u>Name</u>	<u>Qualification</u>
Daiwa Capital Markets Hong Kong Limited	Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
AllBright Law Offices	PRC legal advisers
Cliffe Dekker Hofmeyr Inc	South Africa legal advisers
Vigers Appraisal & Consulting Limited	Property valuers

8. Consents of experts

Each of Daiwa Capital Markets Hong Kong Limited, Deloitte Touche Tohmatsu, Conyers Dill & Pearman, AllBright Law Offices, Cliffe Dekker Hofmeyr Inc and Vigers Appraisal & Consulting Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuation and/or opinion (as the case may be) and the references to its name or summaries of opinions included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts named in the sub-paragraph headed “Qualifications of experts” in the paragraph headed “Other information” in this Appendix has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group save that the Sole Sponsor, which is also the Lead Manager and one of the Underwriters, may be required to perform its underwriting obligation in respect of the Offer Shares.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Taxation of holders of Shares

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2011 (being the date to which the latest audited combined financial statements of our Group were made up) which would materially affect the information shown in this prospectus.

13. Particulars of the Selling Shareholder

Particulars of the Selling Shareholder is as follows:

<u>Name</u>	<u>Number of Sale Shares</u>	<u>Description</u>	<u>Address</u>
Power Heritage	46,200,000	Corporation	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands

Note: Power Heritage is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping. Each of Mr. Rui Fubin and Mr. Rui Yiping is a director of Power Heritage.

14. Miscellaneous

Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or any of the subsidiaries of our Company has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries of our Company; and
 - (cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of the subsidiaries of our Company; and
- (ii) no share or loan capital of our Company or any of the subsidiaries of our Company is under option or is agreed conditionally or unconditionally to be put under option.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) written consents referred to in the sub-paragraph headed “Consents of experts” in the paragraph headed “Other information” in Appendix V to this prospectus;
- (c) copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” in Appendix V to this prospectus; and
- (d) a statement of particulars of the Selling Shareholder.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the offices of Leung & Lau, 3rd Floor, 50 Connaught Road C., Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountants’ Report of our Group prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising the Group for the two financial years ended 31 December 2011;
- (d) the accountants’ report on the unaudited pro forma financial information of our Group, the texts of which are set out in Appendix II to this prospectus;
- (e) the letter, the summary of valuation and the valuation certificates relating to the property interests of our Group prepared by Vigers Appraisal & Consulting Limited, the texts of which are set out in Appendix III to this prospectus;
- (f) letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Companies Law referred to in Appendix IV to this prospectus;
- (g) the material contracts referred to in the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” in Appendix V to this prospectus;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (h) the written consents referred to in the sub-paragraph headed “Consents of experts” in the paragraph headed “Other information” in Appendix V to this prospectus;
- (i) the legal opinions prepared by the PRC Legal Adviser in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (j) the legal opinion prepared by the South Africa Legal Adviser in respect of certain aspects of our Group and the property interests of our Group in South Africa;
- (k) the service contracts referred to in the sub-paragraph headed “Particulars of Directors’ service agreements” in the paragraph headed “Further information about Directors and substantial shareholders” in Appendix V to this prospectus;
- (l) the Companies Law; and
- (m) a list of particulars of the Selling Shareholder as set out in the sub-paragraph headed “Particulars of the Selling Shareholder” in the paragraph headed “Other information” in Appendix V to this prospectus.



江南集團有限公司
Jiangnan Group Limited