

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Jiangnan Group Limited (“Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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JIANGNAN GROUP LIMITED

江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF THE TARGET GROUP; AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

RaffAello
CAPITAL LIMITED

A notice convening the extraordinary general meeting of the Company to be held at Unit 22, 15/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong at 2:30 p.m. on Wednesday, 10 July 2013 (“EGM”) is set out on pages 57 to 58 of this circular. If you do not intend to attend and vote at the EGM in person but wish to exercise your rights as a Shareholder, please complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

24 June 2013

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2013 Audited Accounts”	the audited combined financial statements of the Target Group for the year ending 31 December 2013 which shall be prepared in accordance with the generally accepted accounting principles in the PRC and adjusted in accordance with the generally accepted accounting principles in Hong Kong
“Acquisition”	the acquisition of the Target Shares from the Vendors by the Purchaser pursuant to the Agreement, and the transactions contemplated thereunder
“Agreement”	the share transfer agreement dated 19 April 2013 entered into between the Purchaser and the Vendors in relation to the Acquisition, as amended and supplemented by the Supplemental Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any normal working day other than a Saturday, Sunday or a statutory holiday in the PRC and Hong Kong
“Chairman”	the chairman of the Board
“Company”	Jiangnan Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Conditions Precedent”	the conditions required to be satisfied or waived (as the case may be) before Completion may take place under the Agreement, as set out in the paragraph headed “Conditions Precedent” in the Letter from the Board in this circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition payable by the Purchaser to the Vendors as determined in accordance with the mechanism set out in the paragraph headed “Consideration” in the letter from the Board in this circular
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company convened to be held at Unit 22, 15/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong at 2:30 p.m. on Wednesday, 10 July 2013 for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors established to advise the Independent Shareholders on the terms and conditions of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder
“Independent Third Party”	the third party which is independent of the Company and its connected persons (as defined in the Listing Rules) and their respective associates
“Jiangnan Cable” or “Purchaser”	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 and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	19 June 2013, being the last practicable date before the printing of this circular for the purpose of ascertaining information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the last day by which the Conditions Precedent have to be satisfied or waived
“Power Heritage”	Power Heritage Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping as at the Latest Practicable Date

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RaffAello”	RaffAello Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Reference Profit”	RMB64,610,000 (equivalent to approximately HK\$80,763,000), being the average of the audited net profits after taxation of Zhongmei Cable for the three years ended 31 December 2012
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	the ordinary shares which have a par value of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the Agreement dated 13 June 2013 and entered into between the Purchaser and the Vendors
“Target Company”	江蘇錕陽投資有限公司 (in English, for identification purpose only, Jiangsu Zengyang Investment Company Limited), a company established in the PRC with limited liability, owned as to 73.93%, 13.33%, 10%, 1.8%, 0.63%, 0.13%, 0.11% and 0.07% respectively, by Mr. Chu Hui, Mr. Yang Zhen, Mr. Chu Kai Qiang, Ms. Chu Xi Feng, Mr. Zeng Guoming, Mr. Shi Yong Jiu, Mr. Shi Huan Xiang and Mr. Liu Wen Sheng
“Target Group”	the Target Company and its subsidiaries
“Target Shares”	being the entire equity interests in the Target Company
“Vendors”	collectively, Mr. Chu Hui, Mr. Yang Zhen, Mr. Chu Kai Qiang, Ms. Chu Xi Feng, Mr. Zeng Guoming, Mr. Shi Yong Jiu, Mr. Shi Huan Xiang and Mr. Liu Wen Sheng

DEFINITIONS

“Zenghui Investment”	江蘇鋁輝投資有限公司 (in English, for identification purpose only, Jiangsu Zenghui Investment Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Zhongmei Cable”	江蘇中煤電纜有限公司 (in English, for identification purpose only, Jiangsu Zhongmei Cable Group Co., Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of Zenghui Investment
“%”	per cent

For the purpose of illustration only, amounts denominated in RMB in this circular have been translated into HK\$ at the rate of RMB1 = HK\$1.25. Such translations should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

LETTER FROM THE BOARD



JIANGNAN GROUP LIMITED

江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

Executive Directors:

Mr. Rui Fubin (*Chairman and chief executive officer*)

Mr. Rui Yiping

Ms. Xia Yafang

Mr. Jiang Yongwei

Mr. Hao Minghui

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Mr. He Zhisong

Mr. Wu Changshun

Mr. Yang Rongkai

Mr. Poon Yick Pang Philip

Principal place of

business in Hong Kong:

Unit 22, 15/F

Leighton Centre

77 Leighton Road

Causeway Bay

Hong Kong

24 June 2013

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF THE TARGET GROUP**

INTRODUCTION

Reference is made to the announcement of the Company dated 19 April 2013 in which the Company announced that after the trading hours on 19 April 2013, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which, the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Target Shares, being the entire equity interest in the Target Company at the Consideration ranging from RMB422,075,000 (equivalent to approximately HK\$527,594,000) to RMB500,000,000 (equivalent to approximately HK\$625,000,000).

Reference is also made to the announcement of the Company dated 13 June 2013 in which the Company announced that on 13 June 2013, the Purchaser and the Vendors entered into the Supplemental Agreement, pursuant to which the Purchaser and the Vendors agreed to

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extend the Long Stop Date to 31 July 2013 and change the date of Completion to the third Business Day following the date on which the last of the Conditions Precedent is fulfilled or waived (where applicable)(or such other date as the Purchaser and the Vendors may agree).

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition; (ii) the letter of recommendation from the Independent Board Committee; (iii) the letter of advice from RaffAello to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

THE AGREEMENT

Particulars of the Agreement are set out below:

Date

19 April 2013 (date of the Supplemental Agreement being 13 June 2013)

Parties

Vendors:

- (i) Mr. Chu Hui
- (ii) Mr. Yang Zhen
- (iii) Mr. Chu Kai Qiang
- (iv) Ms. Chu Xi Feng
- (v) Mr. Zeng Guoming
- (vi) Mr. Shi Yong Jiu
- (vii) Mr. Shi Huan Xiang
- (viii) Mr. Liu Wen Sheng

Purchaser: Jiangnan Cable, a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save that (i) Mr. Chu Hui is the son-in-law of Mr. Rui Fubin (the Chairman, chief executive officer of the Company and an executive Director) and the brother-in-law of Mr. Rui Yiping (an executive Director); (ii) Mr. Chu Kai Qiang is the father of Mr. Chu Hui; (iii) Ms. Chu Xi Feng is the sister of Mr. Chu Hui; and (iv) Mr. Zeng Guoming is the uncle of Mr. Chu Hui, each of the Vendors is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Target Shares, being the entire equity interest in the Target Company.

As at the Latest Practicable Date, the Vendors held 100% of the equity interest of the Target Company, i.e. Mr. Chu Hui, Mr. Yang Zhen, Mr. Chu Kai Qiang, Ms. Chu Xi Feng, Mr. Zeng Guoming, Mr. Shi Yong Jiu, Mr. Shi Huan Xiang and Mr. Liu Wen Sheng directly held 73.93%, 13.33%, 10%, 1.8%, 0.63%, 0.13%, 0.11% and 0.07% of the equity interest in the Target Company respectively.

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Conditions Precedent

Completion shall be subject to the satisfaction or waiver of the following Conditions Precedent:

- (a) all necessary authorisations, consents and approvals in relation to the transfer of the Target Shares having been obtained by the Vendors;
- (b) the delivery by the Vendors to the Purchaser of all necessary government approvals obtained for the transfer of the Target Shares;
- (c) there having been no material adverse change on the Vendors or any member of the Target Group;
- (d) all representations and warranties given by the Vendors under the Agreement having not been breached and the Vendors having performed all undertakings and warranties required to be performed before Completion as stipulated in the Agreement;
- (e) the Purchaser having completed the due diligence review on the Target Group and being satisfied with the results of the due diligence review;
- (f) all necessary authorisations, consents and approvals in relation to the transfer of the Target Shares having been obtained by the Purchaser, including but not limited to the approval given by the Independent Shareholders at the EGM;
- (g) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) issued by a law firm practicing the laws of the PRC in relation to the Target Group; and
- (h) the Purchaser having satisfied that before Completion, all representations, warranties and undertakings given by the Vendors under the Agreement have remained true, complete, accurate and not misleading in all material respects and there have not been any circumstances which would lead to breach of the warranties given by the Vendors or any terms of the Agreement.

The satisfaction of Conditions Precedent (c) and (d) above are capable of being waived by the Purchaser. However, the Company does not have any intention to waive any of the above Conditions Precedent and the Company will only waive such Conditions Precedent if the waiver does not adversely and materially affect the interest of the Group and confines to insignificant matters relating to the Target Group and/or the Vendors. In the event that the above Conditions Precedent have not been fulfilled or waived by the Purchaser on or before 31 July 2013 (or such other date as the Purchaser and the Vendors may agree), the Agreement shall lapse and thereafter neither party to the Agreement shall have any rights or obligations towards each other.

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Consideration

The maximum amount of the Consideration is RMB500,000,000 (equivalent to approximately HK\$625,000,000) while the minimum amount of the Consideration is RMB422,075,000 (equivalent to approximately HK\$527,594,000). The Consideration shall be satisfied in the following manner:

- (a) upon Completion, an aggregate sum of RMB422,075,000 (equivalent to approximately HK\$527,594,000), being the minimum amount of the Consideration, shall be paid by the Purchaser to the Vendors (which amount shall be shared amongst the Vendors in proportion to their respective shareholding in the Target Company); and
- (b) if applicable, an additional amount as determined as follows shall be paid to the Vendors (which amount shall be shared amongst the Vendors in proportion to their respective shareholding in the Target Company) within ten Business Days after the issue of the 2013 Audited Accounts:
 - (i) where the audited combined net profits after taxation, exceptional or extraordinary items and minority shareholders' interest of the Target Group for the year ending 31 December 2013 ("**2013 Actual Profit**") exceeds the Reference Profit but is less than RMB75,000,000 (equivalent to approximately HK\$93,750,000) ("**2013 Target Profit**"), being the target profit of the Target Group set by the Vendors for the year ending 31 December 2013, such additional amount shall be determined in accordance with the following formula:

$$\text{additional amount to be paid} = A - B \times 7.5$$

where:

A = RMB77,925,000 (equivalent to approximately HK\$97,406,000), being the difference between the maximum amount of the Consideration and the minimum amount of the Consideration

B = the difference between the 2013 Target Profit and the 2013 Actual Profit

or

- (ii) where the 2013 Actual Profit is equal to or exceeds the 2013 Target Profit, such additional amount shall be equal to RMB77,925,000 (equivalent to approximately HK\$97,406,000), being the difference between the maximum amount of the Consideration and the minimum amount of the Consideration.

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For the avoidance of doubt:

- (a) where the 2013 Actual Profit is equal to or less than the Reference Profit, other than the Consideration paid upon Completion, the Purchaser will not be required to pay to the Vendors any additional amount of the Consideration. In such case, the Consideration shall be fixed at RMB422,075,000 (equivalent to approximately HK\$527,594,000); and
- (b) where the 2013 Actual Profit exceeds the 2013 Target Profit, the excess of the 2013 Actual Profit over the 2013 Target Profit will be retained by the Purchaser and there will not be any upward adjustment to the maximum amount of the Consideration. In such case, the Consideration shall be fixed at RMB500,000,000 (equivalent to approximately HK\$625,000,000).

According to the latest unaudited management accounts of Zhongmei Cable, Zhongmei Cable recorded an unaudited turnover and net profit after tax of approximately RMB498.9 million and RMB28.6 million respectively for the five months ended 31 May 2013 respectively, representing an increase of approximately 12.7% and 78.3% from the corresponding period of 2012 (Shareholders should note that the net profit after tax of Zhongmei Cable for five months ended 31 May 2012 and 2013 are unaudited and subject to audit, and such figures only represent the financial performance of Zhongmei Cable for the five months ended 31 May 2013 (instead of the full financial year ending 31 December 2013, the results of which are subject to performance of Zhongmei Cable for remaining period in the financial year ending 31 December 2013) and there is no assurance that the performance of Zhongmei Cable in the five months ended 31 May 2013 will continue). To the best of the Directors' knowledge, information and belief, based on the information provided by the Vendors and management of Zhongmei Cable, there has not been any material change in the financial position of Zhongmei Cable since 1 January 2013. Base on the turnover growth of Zhongmei Cable as aforementioned and on the assumption that such growth can continue throughout 2013 and barring unforeseen circumstances, the Directors are of the view that the Target Group will be able to meet the Reference Profit and are confident that the Target Group can reach 2013 Target Profit.

The 2013 Actual Profit is the profit shown in the 2013 Audited Accounts which shall be prepared in accordance with the generally accepted accounting principles in the PRC and adjusted in accordance with the generally accepted accounting principles in Hong Kong. A reconciliation worksheet will be prepared to adjust each individual item on the income statement and balance sheet of the Target Group wherever there is deviation from the accounting standards and policies that are adopted in Hong Kong. This is same as the treatment when the Group prepares its consolidated financial statements in accordance with the generally accepted accounting principles in Hong Kong while the Group has subsidiaries established in the PRC (e.g. Jiangnan Cable).

Save that (i) Mr. Yang Zhen acquired 13.33% of the equity interest in Zhongmei Cable from Mr. Chu Hui at the consideration of RMB26,229,582.49; (ii) Mr. Chu Kai Qiang acquired 10% of the equity interest in Zhongmei Cable from Mr. Chu Hui at the consideration of RMB15,000,000; and (iii) Mr. Liu Wen Sheng acquired 0.07% of the

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equity interest in Zhongmei Cable from Mr. Chu Hui at the consideration of RMB131,147.91, and three of them became shareholders of Zhongmei Cable on 23 February 2009, all the other Vendors has been a shareholder of Zhongmei Cable since 13 January 2004. As at the Latest Practicable Date, Mr. Chu Hui directly held 73.93% of the equity interest in the Target Company. The total investment costs of the Target Group (which comprise the Target Company, Zenghui Investment and Zhongmei Cable) by the Vendors are RMB110,900,000, RMB26,229,582.49, RMB15,000,000, RMB2,700,000, RMB950,000, RMB200,000, RMB150,000 and RMB131,147.91 for Mr. Chu Hui, Mr. Yang Zhen, Mr. Chu Kai Qiang, Ms. Chu Xi Feng, Mr. Zeng Guoming, Mr. Shi Yong Jiu, Mr. Shi Huan Xiang and Mr. Liu Wen Sheng respectively.

The Consideration was determined between the Purchaser and the Vendors after arm's length negotiations with reference to the financial performance of Zhongmei Cable for the three years ended 31 December 2012, the net assets value of Zhongmei Cable of approximately RMB450 million (equivalent to approximately HK\$563 million) as at 31 December 2012 (with adjustment of final dividend of RMB10,000,000 (equivalent to approximately HK\$12,500,000) for the year ended 31 December 2012 declared by Zhongmei Cable which will be paid to the Vendors in accordance with their respective shareholdings in Zhongmei Cable) and the prospects of the Target Group.

The maximum Consideration is fixed at a price earning multiple of approximately 7.5 times to the audited net profit after taxation of Zhongmei Cable for the year ended 31 December 2012. After taking into consideration (i) the price earning multiple of the Company as at 19 April 2013 (being the date of the Agreement) of approximately 9.1 times; (ii) the maximum Consideration and minimum Consideration as percentage to the net assets value of the Target Group as at 31 December 2012 (in particular, the minimum Consideration (i.e. RMB422,075,000) and maximum Consideration (i.e. RMB500,000,000) being lower than and about 1.1 times of the net assets value of Zhongmei Cable of approximately RMB450 million (or approximately RMB440 million after taking into account of dividend of RMB10,000,000 declared by Zhongmei Cable for the year ended 31 December 2012) as at 31 December 2012 respectively); (iii) the intangible assets owned by the Target Group which are not booked in the financial statement of the Target Group, but are useful for the manufacture of products of Zhongmei Cable; (iv) the maximum Consideration (i.e. RMB500,000,000) is about 7.5 times of the audited net profit of Zhongmei Cable for the year ended 31 December 2012 and Zhongmei Cable recorded stable net profit for the three years ended 31 December 2012; and (v) it is not uncommon to use price earning multiple to determine consideration of acquisition, the Directors consider that using the price earning multiple of approximately 7.5 times to determine the Consideration is fair and reasonable.

The consideration adjustment mechanism can cap the maximum Consideration payable by the Purchaser and provide downside protection to the Purchaser against any shortfall from the 2013 Target Profit. Even though there is no downside adjustment mechanism, after taking into consideration that (i) the minimum Consideration of RMB422,075,000 is lower than the net assets value of Zhongmei Cable of approximately RMB450 million as at 31 December 2012 (or approximately RMB440 million after taking into account of dividend of RMB10,000,000 declared by Zhongmei Cable for the year

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ended 31 December 2012); (ii) the price earning multiple of approximately 7.5 times, which is based on the maximum Consideration of RMB500,000,000 and the audited net profit of Zhongmei Cable for the year ended 31 December 2012 of approximately RMB66.6 million, is lower than the price earning multiple of the Company (approximately 9.1 times) as at the date of the Agreement; (iii) the upward adjustment, to certain extent, serves as an incentive to the Vendors for better performance of the Target Group in 2013; and (iv) the contribution by the Target Group (such as (a) the joining of experienced management team of the Target Group to the Group upon Completion as set out in the paragraph headed “Completion” below; and (b) those benefits as mentioned in the paragraphs headed “Completion” and “Reasons and benefits of the Acquisition” below), the Directors consider that the Consideration is fair and reasonable.

The Consideration is to be settled in cash by the Group’s internal resources.

Completion

Completion shall take place on the third Business Day following the date on which the last of the above Conditions Precedent is fulfilled or waived (where applicable).

Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Company.

It is proposed that Mr. Chu Hui will be appointed as an executive Director with effect from the date of Completion, whose major duty would be supervising the operation of Zhongmei Cable.

Mr. Chu Hui has over 18 years of experience in the wire and cable industry in the PRC and he has been the chairman, executive director and general manager of Zhongmei Cable since May 2005, and has been responsible for the overall management of production, operation, sales and administration matters in Zhongmei Cable. Taking into account that (i) Zhongmei Cable is specialised in the manufacture of special types of wires and cables which are more sophisticated (“**Zhongmei Special Wires and Cables**”), (ii) Mr. Chu Hui is experienced and knowledgeable about the production of the Target Group’s major products and (iii) the Group’s strategy to increase its products offering and the market share of the Group in specific industries by manufacture and sale of specialised cables in order to enhance its income stream, the Directors are of the view that the appointment of Mr. Chu Hui as an executive Director with effect from the date of Completion would make much contribution to the Group (which will then include the Target Group) in terms of business expansion, business development and business operation and would be beneficial to the Company and its Shareholders as a whole.

Since (i) the appointment of Mr. Chu Hui is only incidental to the Acquisition and will only take effect from Completion, and (ii) the Acquisition is only considered by the Company when such acquisition opportunity arises in 2013, as mentioned in the paragraph headed “Reasons and benefits of the Acquisition” below, the Acquisition had not been contemplated before the listing of the Company nor the Directors have considered appointing Mr. Chu Hui as a Director before the listing of the Company.

LETTER FROM THE BOARD

INFORMATION ON THE TARGET GROUP

The Target Company was a company established in the PRC with limited liability on 20 March 2013. The principal business activity of the Target Company is investment holding and it holds 100% equity interest in Zenghui Investment which in turn holds 100% equity interest in Zhongmei Cable.

Zenghui Investment was a company established in the PRC with limited liability on 25 March 2013 and its principal business activity is investment holding.

Zhongmei Cable is a company established in the PRC with limited liability on 13 January 2004 and is wholly owned by the Target Company, which is principally engaged in the manufacture and sale of special types of wires and cables in the PRC and it is also engaged in the manufacture and sale of general power cables. Special types of wires and cables mean wires and cables, i.e. Zhongmei Special Wires and Cables, which are designed and developed for a specified industry, taking into the specific requirements of specified industries. Zhongmei Special Wires and Cables are wires and cables with special features, which are usually more sophisticated and involve the use of its own patent to cater for specific needs, safety and environmental requirements, of the specified industries. Zhongmei Special Wires and Cables are mainly used in three segments: (i) wind power system; (ii) shipbuilding; and (iii) mining.

As each of the Target Company and Zenghui Investment is newly established, no financial statements have been prepared for them.

Set out below is a summary of the audited financial information of Zhongmei Cable for the three years ended 31 December 2012, which are prepared in accordance with the generally accepted accounting principles in the PRC:

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012
Net Profit (before taxation and extraordinary items)	RMB70,854,000 (equivalent to approximately HK\$88,568,000)	RMB78,313,000 (equivalent to approximately HK\$97,891,000)	RMB77,777,000 (equivalent to approximately HK\$97,221,000)
Net Profit (after taxation and extraordinary items)	RMB60,240,000 (equivalent to approximately HK\$75,300,000)	RMB66,962,000 (equivalent to approximately HK\$83,702,000)	RMB66,628,000 (equivalent to approximately HK\$83,285,000)
Gross profit margin	15.2%	14.6%	15.3%

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The major assets of Zhongmei Cable as at 31 December 2011 and 31 December 2012 are (i) property, plant and equipment; (ii) land use rights; (iii) account receivables; (iv) inventories; and (v) cash, and the values of the major assets of Zhongmei Cable as at 31 December 2011 and 31 December 2012 are as follows:

	31 December 2011	31 December 2012
Property, plant and equipment	RMB180,795,000 (equivalent to approximately HK\$225,994,000)	RMB174,696,000 (equivalent to approximately HK\$218,370,000)
Land use rights	RMB63,477,000 (equivalent to approximately HK\$79,346,000)	RMB62,037,000 (equivalent to approximately HK77,546,000)
Account receivables	RMB434,347,000 (equivalent to approximately HK\$542,934,000)	RMB415,164,000 (equivalent to approximately HK\$518,955,000)
Inventories	RMB307,982,000 (equivalent to approximately HK\$384,978,000)	RMB290,690,000 (equivalent to approximately HK\$363,363,000)
Cash	RMB210,881,000 (equivalent to approximately HK\$263,601,000)	RMB251,323,000 (equivalent to approximately HK\$314,154,000)
Other assets	RMB150,065,000 (equivalent to approximately HK\$187,581,000)	RMB117,770,000 (equivalent to approximately HK\$147,213,000)
Total assets:	RMB1,347,547,000 (equivalent to approximately HK\$1,684,434,000)	RMB1,311,680,000 (equivalent to approximately HK\$1,639,600,000)

As at 31 December 2012, the audited net assets value of Zhongmei Cable was approximately RMB450 million (equivalent to approximately HK\$563 million) and Zhongmei Cable has declared final dividend of RMB10,000,000 (equivalent to approximately HK\$12,500,000) for the year ended 31 December 2012.

LETTER FROM THE BOARD

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture and sale of wires and cables for power transmission, distribution systems and electrical equipment. Majority of the products manufactured and traded by the Group are wires and cables for power industry and other general industries. Apart from the power cables for power industry, the Group also manufactures and sells, to a lesser extent, special type of wires and cables for mining and ship-building industries (“**Jiangnan Special Wires and Cables**”), which, unlike Zhongmei Special Wires and Cables, only confine to a few products possessing basic features in compliance with the fundamental requirement specification for these specific industries. Zhongmei Special Wires and Cables are distinct from Jiangnan Special Wires and Cables in terms of its features and functions. For example, self-luminous sheathed cable for new shearer, one of Zhongmei Special Wires and Cables, possesses specific luminance feature which can be used in mines for lighting in case of emergency.

Since the Target Group is specialised in and focused on the manufacture and sale of special types of wires and cables which are different from the Group’s products in the PRC, the Directors are of the view that the Acquisition offers the Company a good opportunity to increase its products offering and the market share of the Group in specific industries by manufacture and sale of Zhongmei Special Wires and Cables and enhance its income stream. In addition, the Acquisition can also improve the customer base of the Group and enhance customer loyalty to the Group as the Target Company has special wires and cables which its customers adapted to.

The Group recorded a growth in net profit of approximately 36.9% and 18.5% for the year ended 31 December 2011 and 2012 respectively. In view of the stable net profit recorded by Zhongmei Cable for the three years ended 31 December 2012, the Directors are of the view that the Acquisition can assist the Group in maintaining its profit growth in the future.

The Acquisition was not proposed before or shortly after the listing of the Company (which was in April 2012). The opportunity of acquiring the Target Group arises when the Group considered expansion of the Group by engaging in the manufacture and sale of specialised cables in around early 2013. Taking into account the following factors, the Directors consider that it is unworthy to develop a new business sector for the manufacture and sale of Zhongmei Special Wires and Cables instead of acquiring it from the Vendors:

- (i) Zhongmei Cable having a leading position in the market for cables for mining;
- (ii) Zhongmei Cable was ranked as one of the top ten manufacturers of rubber cables for mining according to the certification issued by the China Electrotechnical Society Professional Committee on cables used for mining (中國電工技術學會煤礦電工專業委員會礦用電纜學組) in March 2010;
- (iii) Zhongmei Cable participated in the formulating of industry standard for cable used for coal mine and the drafting and revision of national recommended standards for rubber-sheathed cables used for mining;

LETTER FROM THE BOARD

- (iv) Zhongmei Cable was among a few enterprises in China which has obtained comprehensive safety accreditation in wire and cable used for mining as at the Latest Practicable Date;
- (v) Zhongmei Cable having obtained requisite globally acceptable licence and certificate for shipping used cables (as disclosed in the table below) of which the Group does not possess;

Type of licence	Type/scope of licence	Licence number/ registration number	Standard	Date of issue	Date of expiry	Issuing authority
CCS China Classification Society Certificate of Works Approval	Rated voltage 0.6/1kV EPR insulated marine power cables, rated voltage 0.6/1kV XLPE insulated marine power cables, rated voltage 3.6/6kV-8.7/15kV XLPE insulated marine power cables	NJ12W00031	IEC60092-350:2008 IEC60092-353:2011 IEC60092-354:2003	2012/6/19	2016/6/18	China Classification Society Nanjing Branch (中國船級社南京分社)
	Rated voltage 150/250V(300V) EPR insulated marine control and instrument cables, rated voltage 150/250V(300V) PVC insulated marine control and instrument cables, rated voltage 150/250V(300V) XLPE insulated marine control and instrument cables		IEC60092-376:2003			
	Rated voltage 150/250V(300V) EPR insulated marine communication cables, rated voltage 150/250V(300V) PVC insulated marine communication cables, rated voltage 150/250V(300V) XLPE insulated marine communication cables		IEC60092-376:2003			
	Rated voltage 0.6/1kV or below PVC insulated marine cables		IEC60092-350			
	Rated voltage 0.6/1kV EPR insulated low smoke zero halogen marine power cables		IEC60092-350/351/353/ 354/359/373/375/376, IEC61034, IEC60754-1, IEC60332-3, GJB1916-94 Q320282DDE020-2007			
	Rated voltage 150/250V(300V) EPR insulated low smoke zero halogen marine control cables		IEC60092-350/351/353/ 354/359/373/375/376, IEC61034, IEC60754-1, IEC60332-3, GJB1916-94 Q320282DDE021-2007			
	Rated voltage 150/250V(300V) EPR insulated low smoke zero halogen symmetric marine communication cables		IEC60092-350/351/353/ 354/359/373/375/376, IEC61034, IEC60754-1, IEC60332-3, GJB1916-94 Q320282DDE022-2007			

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Type of licence	Type/scope of licence	Licence number/ registration number	Standard	Date of issue	Date of expiry	Issuing authority
BV certification awarded to marine cables	0.6/1kV, CE, CJ series marine power cables (/DA,/SA,/NA,/SC,/NC)	21761/A1 BV	IEC 60092-350/351/359/353, IEC 60228, IEC 60332-1, IEC 60332-3-22 Cat.A, IEC 60331-21, IEC 60754-1/2, IEC 61034-1/2	2012/7/23	2014/7/22	BUREAU VERITAS
	150/250V, CHE, CHJ series marine communication cables (/DA,/SA,/SC,/NC)	21762/A1 BV	IEC 60092-350/351/359/376, IEC 60228, IEC 60332-1, IEC 60332-3-22 Cat.A, IEC 60331-21, IEC 60754-1/2, IEC 61034-1/2	2012/5/30		
ABS certification awarded to marine cables	CEPJ, CEF, CJPJ, CJPJF series	07-SQ259633-1-PDA	IEC60092-350/353, IEC60332-3 Category A, IEC60332-1, IEC61034, IEC60754, IEC60331	2007/12/10	2017/8/11	AMERICAN BUREAU OF SHIPPING
	CHEF, CHEFP, CHEPJ, CHEPJP, CHEV, CHEVP, CHJJP, CHJPJP series	07-SQ259634-1-PDA	IEC60092-376, IEC61034, IEC60754, IEC60332-3 Category A, IEC60331			
LR certification awarded to marine cables	CEF, CEPJ, CJPJ series	08/10059	IEC 60092-350/351/353/354/359, IEC 60332-1-2, IEC 60332-3-22, IEC 60331-21, IEC 60754-1-2, IEC 61034-1-2	2008/10/22	2013/10/21	Lloyd's Register
	CHEF, CHEFP, CHEVP, CHEPJ, CHEPJP, CHEV, CHJJP, CHJPJP series	08/10060	IEC 60092-351/359/376, IEC 60332-1-2, IEC 60332-3-22, IEC 60331-21, IEC 60754-1-2, IEC 61034-1-2			
GL certification awarded to marine cables	CEF, CEF80, CEF90, CEF82, CEF92 (/DA,/SA,/NA)	44 818-07 HH	IEC 60092-350:2008, IEC 60092-353:2011; 60092-351:2004; 60092-359:1987; IEC 60332-1:2004(DA); 60332-3-22:2009(SA); 60331-21/1:1999/2009(NA)	2012/10/22	2017/10/22	Germanischer Lloyd
	CEPJ, CEPJ80, CEPJ90, CEPJ85, CEPJ95 (/SC,/NC)	44 819-07 HH	IEC 60092-350:2008; 60092-353:2011; 60092-351:2004; 60092-359:1987; 60332-3-22:2009; 60331-21/1:1999/2009(NA); 60754-1/2:2011; 61034-1/2:2005			

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Type of licence	Type/scope of licence	Licence number/ registration number	Standard	Date of issue	Date of expiry	Issuing authority
	CJPI, CJPJ80, CJPJ90, CJPJ85, CJPJ95 (SC,NC)	44 820-07 HH	IEC 60092-350:2008; 60092-353:2011; 60092-351:2004; 60092-359:1987; 60332-3-22:2009; 60331-21/1:1999/2009(NC); 60754-1/2:2011; 61034-1/2:2005			
	CHEF, CHEFP, CHEV series (DA,SA,NA)	44 821-07 HH	IEC 60092-376:2003; 60092-351:2004; 60092-359:1987; 60332-1:2004; IEC 60332-3-22:2009(SA); 60331-21/1:1999/2009(NA)			
	CHEPJ, CHEPJP, CHJPJ, CHJPJP series	44 822-07 HH	IEC 60092-350:2008; 60092-376:2003; 60092-351:2004; 60092-359:1987; IEC 60332-3-22: 2009(NC); 60331-21/1: 1999/2009(NC); 60754-1/2:2011; 61034-1/2:2005			

(vi) Zhongmei Cable obtained 32 patents and applied for additional 14 patents as at the Latest Practicable Date in relation to the Zhongmei Special Wires and Cables as disclosed in the table below;

(I) Authorized patents

Number	Type	Name of patent	Patent number	Date of issue	Date of expiry
1	Invention patent	Modified rubber insulated luminous cable	ZL2005 1 0038140.9	2007/12/26	2017/12/26
2	Invention patent	Rubber insulating material and rubber sheathing material of cables used for mining	ZL2006 1 0085541.4	2010/4/21	2020/4/21
3	Invention patent	Application of 2-Mercaptobenzimidazole as anti-oxidizing agent of copper conductors of cables	ZL2008 1 0023866.9	2010/6/2	2020/6/2
4	Invention patent	Low-temperature resistant and cracking resistant soft rubber cable used for wind power generation	ZL2007 1 0192206.9	2010/12/29	2020/12/29
5	Practical new model	Advanced control cable	ZL2005 2 0072988.9	2006/9/6	2016/9/6
6	Practical new model	High voltage XLPE single core cable used for wind power generation	ZL2008 2 0032899.5	2008/12/31	2018/12/31

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Number	Type	Name of patent	Patent number	Date of issue	Date of expiry
7	Practical new model	Safe and flexible frequency converter cable	ZL2008 2 0034236.7	2009/3/18	2019/3/18
8	Practical new model	Complex and stable UGEFP cable	ZL2008 2 0038542.8	2009/5/20	2019/5/20
9	Practical new model	High voltage monitoring cable	ZL2008 2 0038541.3	2009/7/8	2019/7/8
10	Practical new model	Cable support used by rubber sheathed cables	ZL2008 2 0038540.9	2009/5/20	2019/5/20
11	Practical new model	Safe rodent-resistant cable	ZL2009 2 0044385.6	2010/3/17	2020/3/17
12	Practical new model	Advanced and flexible drum-reeling cable	ZL2009 2 0047354.6	2010/5/5	2020/5/5
13	Practical new model	Flexible and high-temperature resistant sheathed cable	ZL2009 2 0235277.7	2010/7/28	2020/7/28
14	Practical new model	Twist-resistant shielded cable used by robots	ZL2009 2 0235278.1	2010/7/21	2020/7/21
15	Practical new model	Travelling flat cable used by cranes	ZL2010 2 0022552.X	2010/10/6	2020/10/6
16	Practical new model	Floating cable used for wind power generation	ZL2010 2 0529031.3	2011/4/20	2021/4/20
17	Practical new model	Advanced waterproof floating cable	ZL2011 2 0181580.0	2012/1/4	2022/1/4
18	Practical new model	Soft rubber trailing cable with advanced flexible structure	ZL2011 2 0181578.3	2012/1/4	2022/1/4
19	Practical new model	Sheathed structure for reeling cables	ZL2011 2 0231668.9	2012/1/4	2022/1/4
20	Practical new model	Sheathed structure for cables used by coal mining machines	ZL2011 2 0245341.7	2012/1/11	2022/1/11
21	Practical new model	Waterproof soft rubber cable for aquarius fountains	ZL2011 2 0261609.6	2012/3/14	2022/3/14
22	Practical new model	Soft rubber cable for coal mining frequency converters	ZL2011 2 0261597.7	2012/3/14	2022/3/14
23	Practical new model	Luminous cable	ZL2011 2 0413050.4	2012/5/30	2022/5/30
24	Design patent	High voltage XLPE single core cable used for wind power generation	ZL2008 3 0023376.X	2009/5/6	2019/5/6
25	Design patent	Saddle support (1)	ZL2008 3 0205276.9	2009/9/9	2019/9/9
26	Design patent	Saddle support (2)	ZL2008 3 0205275.4	2009/9/9	2019/9/9
27	Design patent	Saddle support (3)	ZL2008 3 0205274.X	2009/9/9	2019/9/9
28	Design patent	UGEFP cable (1)	ZL2008 3 0205278.8	2009/9/9	2019/9/9

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Number	Type	Name of patent	Patent number	Date of issue	Date of expiry
29	Design patent	UGEFP cable (2)	ZL2008 3 0205277.3	2009/9/9	2019/9/9
30	Design patent	Flat cable	ZL2008 3 0205279.2	2010/1/20	2020/1/20
31	Design patent	Flat cable	ZL2010 3 0019526.7	2010/9/1	2020/9/1
32	Design patent	Waterproof floating cable	ZL2011 3 0207854.4	2012/1/4	2022/1/4

(II) Applied but not yet authorized patents

Number	Type	Name of patent	Application number
1	Invention patent	Advanced waterproof floating cable	201110145510.4
2	Invention patent	Soft rubber trailing cable with advanced flexible structure	201110145511.9
3	Invention patent	Sheathed structure for reeling cables	201110184500.1
4	Invention patent	Waterproof soft rubber cable for aquarius fountains	201110206857.5
5	Invention patent	Soft rubber cable for coal mining frequency converters	201110206854.1
6	Invention patent	Luminous cable	201110329414.5
7	Invention patent	Soft monitoring cable with metal shield for mobile applications in coal mines	201210076116.4
8	Invention patent	Advanced aramid soft rubber shielded cable used by coal mining machines	201210076117.9
9	Invention patent	Comprehensive soft rubber cable	201210078117.2
10	Invention patent	Intermediate frequency and low consumption rubber marine cable	201210076779.6
11	Invention patent	Marine power cable with enamelled copper wire	201210192253.4
12	Invention patent	Complex optical fiber cable used for mining	201210192251.5
13	Practical new model	Marine power cable with enamelled copper wire	201220275280.3
14	Practical new model	Complex optical fiber cable used for mining	201220275271.4

(vii) Zhongmei Cable had its own research and development department with approximately 50 engineers and technicians as at the Latest Practicable Date;

(viii) as at the Latest Practicable Date, Zhongmei Cable was the only wire and cable enterprise which worked jointly with the Shanghai Electric Cable Research Institute (上海電纜研究所) in the drafting of the national recommended standard on rated voltage 0.6/1kv rubber insulation and sheathing wind power with twist-resistant flexible cables (額定電壓0.6/1kV橡膠絕緣和護套風力發電用耐扭軟電纜), which indicates that Zhongmei Cable is in a leading position in the market for cables used for wind power;

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- (ix) Zhongmei Cable participated in the drafting of national environmental protection standards relating to the technical requirements for environmental labeling wire and cable products which are to be implemented soon;
- (x) Zhongmei Cable having already built up extensive business relationship with its suppliers and customers for the Zhongmei Special Wires and Cables that Zhongmei Cable has been providing quality products and services to meet the special needs of the customers. The customers have business relationship with Zhongmei Cable for approximately 5 years on average. Among the top 5 customers of Zhongmei Cable in 2012, some of them have business relationship with Zhongmei Cable since 2009 and some since 2010. Copper is the main metal raw material. The top 5 suppliers of Zhongmei Cable have been doing business with Zhongmei Cable since 2009;
- (xi) Zhongmei Cable having its own land and building for manufacturing and operation;
- (xii) Zhongmei Cable having its sales team with extensive experience and knowledge in the Zhongmei Special Wires and Cables market;
- (xiii) research and development of Zhongmei Special Wires and Cables which possess advanced features will require extensive effort and time for the Group which may adversely affect the Group's existing operation; and
- (xiv) as advised by the Company's PRC legal adviser, Zhongmei Cable has obtained all the necessary licence and/or approval of its business activities.

The Directors then contacted the Vendors for the proposed acquisition of Zhongmei Cable.

Having considered the abovementioned reasons and benefits, the Directors are of the opinion that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios for the Acquisition under the Listing Rules are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Mr. Chu Hui, is the son-in-law of Mr. Rui Fubin (the Chairman, chief executive officer of the Company and an executive Director) and the brother-in-law of Mr. Rui Yiping (an executive Director), and is thus a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and the Independent Shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save that Mr. Chui Hui is the son-in-law of Mr. Rui Fubin and the brother-in-law of Mr. Rui Yiping and that the spouse of Mr. Chu Hui is the cousin of Mr. Jiang

LETTER FROM THE BOARD

Yongwei, no Director has a material interest in the Agreement and was required to abstain from voting at the meeting of the Board approving the Agreement and the transactions contemplated thereunder. Each of Mr. Rui Fubin, Mr. Rui Yiping and Mr. Jiang Yongwei had abstained from voting in the meeting of the Board approving the Agreement in light of their respective relationship with Mr. Chu Hui, one of the Vendors.

EGM

The EGM will be held at Unit 22, 15/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong at 2:30 p.m. on Wednesday, 10 July 2013 at which resolution will be proposed to seek the approval of the Independent Shareholders for the Agreement and the transactions contemplated thereunder.

Being one of the Vendors, Mr. Chu Hui is materially interested in the Acquisition. As at the Latest Practicable Date, Power Heritage, a company owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping, held 2,206,800,000 Shares (representing 71.7% of the issued share capital of the Company). In view of the relationships between Mr. Rui Fubin, Mr. Rui Yiping and Mr. Chu Hui as disclosed above, Power Heritage will be required to abstain from voting at the EGM to approve the relevant resolution regarding the Acquisition and other transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from Power Heritage, no other Shareholder has a material interest in the Acquisition and other transactions contemplated under the Agreement and no other Shareholder will be required to abstain from voting at the EGM to approve the relevant resolution regarding the Agreement and the transactions contemplated thereunder.

In compliance with the Listing Rules, the resolution will be voted by way of poll at the EGM.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof). Completion of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting (or any adjournment thereof) in person should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of RaffAello, consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Agreement and the transactions contemplated thereunder. The text of the letter from the Independent Board Committee is set out on page 23 of this circular.

The Directors consider that the terms of the Agreement are fair and reasonable and in the interests of the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution regarding the Acquisition.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
On behalf of the Board
Jiangnan Group Limited
Rui Fubin
Chairman and chief executive officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders in connection with the Acquisition which has been prepared for the purpose of inclusion in this circular.



JIANGNAN GROUP LIMITED

江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

24 June 2013

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE TARGET GROUP

We have been appointed as the Independent Board Committee to advise you in connection with the Acquisition, details of which are set out in the letter from the Board contained in this circular, to which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having considered the terms of the Agreement and the advice of RaffAello in relation thereto as set out on pages 24 to 52 of the Circular, we concur with the view of RaffAello and are of the opinion that the terms of the Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee of

Jiangnan Group Limited

He Zhisong

Wu Changshun

Yang Rongkai

Poon Yick Pang Philip

Independent non-executive Directors

LETTER FROM RAFFAELLO

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Room 1302, Tower One, Lippo Centre
89 Queensway, Admiralty
Hong Kong

24 June 2013

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sir,

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE TARGET GROUP

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition, details of which are contained in the Letter from the Board (“the Letter from the Board”) contained in the circular (the “Circular”) of the Company to the Shareholders dated 24 June 2013, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 19 April 2013, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Target Shares, being the entire equity interest in Target Company at a consideration ranging from RMB422,075,000 (equivalent to approximately HK\$527,594,000) to RMB500,000,000 (equivalent to approximately HK\$625,000,000). The Consideration is to be settled in cash by the Group’s internal resources.

As the applicable percentage ratios for the Acquisition under the Listing Rules are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Mr. Chu Hui, is the son-in-law of Mr. Rui Fubin (the Chairman, chief executive officer of the Company and an executive Director) and the brother-in-law of Mr. Rui Yiping (an executive Director), and is thus a connected person of the Company and the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules subject to the reporting, announcement and the Independent Shareholders’ approval requirements.

LETTER FROM RAFFAELLO

The Independent Board Committee has been established to advise whether the terms of the Agreement are on normal commercial terms and are fair and reasonable and whether the Acquisition is in the interests of the Company and its Shareholders as a whole. The Independent Board Committee comprising Mr. He Zhisong, Mr. Wu Changshun, Mr. Yang Rongkai and Mr. Poon Yik Pang Philip (all independent non-executive Directors), has been formed to advise the Independent Shareholders in this respect.

BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company (the “Management”). We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

The principal factors and reasons that we have taken into consideration in assessing the terms of the Agreement and arriving at our opinion are set out as follows:

1. Background and reason for the Acquisition

(i) Information of the Group

The Group is principally engaged in manufacture of and sale of wires and cables for power transmission, distribution systems and electrical equipment. Majority of the products manufactured and traded by the Group are wires and cables for power industry and general industries. As disclosed in the Company’s prospectus dated 10 April 2012, the

LETTER FROM RAFFAELLO

established customers of the Group include, among others, (i) the State Grid Corporation Group, China Southern Power Grid Corporation, Beijing Electric Power Construction Company (together with other companies in the same group) and Huadian Tangyuan Wind Power Company Limited in the power industry; (ii) China Petroleum & Chemical Corporation and Petrochemical Company (Guangxi Branch) of PetroChina Company Limited in the oil and gas industry; (iii) Shanghai Shentong Metro Group Co., Ltd. and Shenzhen Metro Group Co., Ltd. in the metro and railway industry; and (iv) Huainan Mining Industry (Group) Co. Ltd. in the coal mining industry. Besides the Group also won tenders with Nanjing Iron & Steel Co., Ltd., Shenzhen Airport, Dalian Wanda Commercial Properties Co., Ltd, the first phase of Nanjing Ningtian Intercity Rail and Lanxin High Speed Railway in the fourth quarter of 2012 and first quarter of 2013. All-in-all, the Group's products are widely used by customers in different industries, which need electricity can use the Group's products.

We have summarized below for ease of reference financial information of the Group as extracted from the annual report of the Group for the three financial years ended 31 December 2012:

	For the year ended 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	3,686,366	4,929,876	5,356,363
Profit for the year	231,819	317,445	376,120
	As at 31 December		
	2010	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total assets	3,069,579	4,185,353	5,286,647
Total liabilities	2,193,846	3,003,342	3,405,850
Cash and cash equivalents	799,704	1,160,062	1,892,838
Net Asset	875,733	1,182,011	1,880,797

Turnover of the Group increased from approximately RMB3.7 billion in 2010 to approximately RMB4.9 billion in 2011 and approximately RMB5.4 billion in 2012, while profit for the year of the Group increased from approximately RMB231.8 million in 2010 to approximately RMB317.4 million in 2011 and approximately RMB376.1 million in 2012. Such increase in turnover and net profit was primarily due to the increase in sales volume of power cables in 2011 and the increase in average selling price of power cables as a result of increase in sales of higher-end products with higher selling price in 2012.

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(ii) Information of the Target Company

The Target Company was a company established in the PRC with limited liability on 20 March 2013. The principal business activity of the Target Company is investment holding and it holds 100% equity interest in Zenghui Investment which in turn holds 100% equity interest in Zhongmei Cable.

Zenghui Investment was a company established in the PRC with limited liability on 25 March 2013 and its principal business activity is investment holding. Zhongmei Cable is a company established in the PRC on 13 January 2004 and is wholly-owned by the Target Company. Zhongmei Cable is principally engaged in the manufacture and sale of special types of wires and cables in the PRC (“Zhongmei Special Wires and Cables”) and it is also engaged in the manufacture and sale of general power cables. Special types of wires and cables mean wires and cables, i.e. Zhongmei Special Wires and Cables which are designed and developed for a specified industry, taking into the specific requirements of specified industries. Zhongmei Special Wires and Cables are special wires and cables with special features, which are usually more sophisticated and involve the use of its own patent to cater for specific needs, safety and environmental requirements, of the specified industries. Zhongmei Special Wires and Cables are mainly used in three segments: (i) wind power system; (ii) shipbuilding; and (iii) mining. Sales of Zhongmei Special Wires and Cables accounted for approximately 53.0%, 52.9% and 49.6% of the total turnover of Zhongmei Cable for each of the financial years ended 31 December 2010, 2011 and 2012 respectively, while sale of general power cables accounted for approximately 45.0%, 45.7% and 47.9% of the total turnover of Zhongmei Cable for each of the financial years ended 31 December 2010, 2011 and 2012 respectively.

The following sets out about the turnover breakdown of Zhongmei Cable for each of the financial year ended 31 December 2010, 2011 and 2012:

	For the year ended 31 December					
	2010		2011		2012	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Zhongmei Special						
wires and cables	580,929	53.0	766,918	52.9	646,201	49.6
General power cables	494,281	45.0	662,471	45.7	624,581	47.9
Others	<u>21,730</u>	<u>2.0</u>	<u>20,931</u>	<u>1.4</u>	<u>32,091</u>	<u>2.5</u>
Total	<u>1,096,940</u>	<u>100.0</u>	<u>1,450,320</u>	<u>100.0</u>	<u>1,302,873</u>	<u>100.0</u>

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As each of the Target Company and Zenghui Investment is newly established, no financial statements have been prepared for them. Set out below is a summary of the audited financial information of Zhongmei Cable for the three years ended 31 December 2012:

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012
Net Profit (before taxation and extraordinary items)	RMB70,854,000 (equivalent to approximately HK\$88,568,000)	RMB78,313,000 (equivalent to approximately HK\$97,891,000)	RMB77,777,000 (equivalent to approximately HK\$97,221,000)
Net Profit (after taxation and extraordinary items)	RMB60,240,000 (equivalent to approximately HK\$75,300,000)	RMB66,962,000 (equivalent to approximately HK\$83,702,000)	RMB66,628,000 (equivalent to approximately HK\$83,285,000)

According to the audited financial statements of Zhongmei Cable for the three financial years ended 31 December 2012, Zhongmei Cable recorded (i) a turnover of approximately RMB1.1 billion, RMB1.5 billion and RMB1.3 billion; and (ii) a net profit of approximately RMB60.2 million, RMB67.0 million and RMB66.6 million, for each of the financial years ended 31 December 2010, 2011 and 2012 respectively. As at 31 December 2012, net assets value of Zhongmei Cable was approximately RMB450 million (equivalent to approximately HK\$563 million), in which cash and cash equivalent amounted to approximately RMB251 million (equivalent to approximately HK\$314,000,000).

The following sets out the major assets of Zhongmei Cable for each of the financial year ended 31 December 2011 and 2012:

	31 December 2011	31 December 2012
Property, plant and equipment	RMB180,795,000 (equivalent to approximately HK\$225,994,000)	RMB174,696,000 (equivalent to approximately HK\$218,370,000)
Land use rights	RMB63,477,000 (equivalent to approximately HK\$79,346,000)	RMB62,037,000 (equivalent to approximately HK\$77,546,000)

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	31 December 2011	31 December 2012
Account Receivables	RMB434,347,000 (equivalent to approximately HK\$542,934,000)	RMB415,164,000 (equivalent to approximately HK\$518,955,000)
Inventories	RMB307,982,000 (equivalent to approximately HK\$384,978,000)	RMB290,690,000 (equivalent to approximately HK\$363,363,000)
Cash	RMB210,881,000 (equivalent to approximately HK\$263,601,000)	RMB251,323,000 (equivalent to approximately HK\$314,154,000)
Other assets	RMB150,065,000 (equivalent to approximately HK\$187,581,000)	RMB117,770,000 (equivalent to approximately HK\$147,213,000)
Total assets:	RMB1,347,547,000 (equivalent to approximately HK\$1,684,434,000)	RMB1,311,680,000 (equivalent to approximately HK\$1,639,600,000)

Zhongmei Cable has its statutory financial statement prepared in accordance with the generally accepted accounting principles in the PRC. The financial statements of Zhongmei Cable for the three financial years ended 31 December 2012 were audited by a PRC auditor.

As at the Latest Practicable Date, Zhongmei Cable had approximately 10,091 customers and 595 staff members. Almost all of the customers of Zhongmei Cable are located in the PRC and they have diversified backgrounds and businesses, including, coal mine operators, ship-builders, state-owned electricity and infrastructure enterprises, electrical equipment installation and trading enterprises and power project contractors. Out of the 10,091 customers, there were about 2,971 customers purchased special wires and cables from Zhongmei Cable and of which 2,054 in the mining industry, 536 in the ship-building industry and 381 in the wind power industry. Having reviewed the customers list of the Group and Zhongmei Cable as at 31 December 2012, approximately 20% of the customers of Zhongmei Cable are the common customers of the Group.

2. Reasons for the Acquisition

(i) Maintaining profit growth

The Group recorded a growth in net profit of approximately 36.9% and 18.5% for the year ended 31 December 2011 and 2012 respectively. In view of the stable net profit recorded by Zhongmei Cable for the three years ended 31 December 2012, we are of the view that the Acquisition can assist the Group in maintaining its profit growth in the future.

(ii) Diversification of products and enhancement of customer base

The Group is principally engaged in the manufacture and sale of wires and cables for power transmission, distribution systems and electrical equipment. Majority of the products manufactured and traded by the Group are wires and cables for power industry and other general industries. Apart from the power cables for power industry, the Group also manufactures and sells, to a lesser extent, special type of wires and cables for mining and ship-building industries (“Jiangnan Special Wires and Cables”) which, unlike Zhongmei Special Wires and Cables, only confine to a few products possessing basic features in compliance with the fundamental requirement specification for these specific industries. Zhongmei Special Wires and Cables distinct from Jiangnan Special Wires and Cables in terms of its features and functions. Zhongmei Special Wires and Cables are special wires and cables which are with special features, which are usually more sophisticated and involve use of its own patent to cater for specific needs, safety and environmental requirements, of the specified industries, which can be used in wind power system and advance cables for mining and ship-building industries. Wires and cables for mining and ship-building are mainly rubber insulated while the Group’s key products and strength are limited to the manufacturing of plastic insulated wires and cables. The Group only obtained all necessary certificates, licences and permits to produce and supply their products for mining and ship-building industries in PRC while Zhongmei Special Wires and Cables possesses comprehensive licences and also have licences which fulfill overseas requirements. Please refer to section 2 (iv)(d) headed “Reasons for the Acquisition” of this letter for details of requisite licence and certificate for ship used cables obtained by Zhongmei Cable. For example, one of the Zhongmei Special Wires and Cables, self-luminous sheathed cable for new shearer, possesses specific luminance feature which can be used in mine for lighting in case of emergency. Sale of Jiangnan Special Wires and Cables by the Group only amounted to approximately RMB22.5 million or 0.46% and RMB33.7 million or 0.63% of the total turnover of the Group for the two financial years ended 31 December 2011 and 2012 respectively.

The Target Group is specialized in and focused on the manufacture and sale of Zhongmei Special Wires and Cables, which amounted to approximately RMB580.9 million, RMB766.9 million and RMB646.2 million, or accounted to approximately 53%, 52.9% and 49.6% of its total turnover, for the three financial years ended 31 December 2010, 2011 and 2012 respectively. Thus we concur with the Directors’ view that the Acquisition offers the Company a good opportunity to supplement its product offerings and increase the market share of the Group in specific industries by manufacture and sale

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of Zhongmei Special Wires and Cables. In addition, we are of the view that the Acquisition can also improve the customer base of the Group and enhance customer loyalty to the Group as the Target Company has special wires and cables which its customers adapted to.

(iii) Cope with future business plans of the Group

As mentioned in the Group's 2012 annual report, it states that the Group intends to speed up strategic investments as well as acquisition and reorganization plans through potential acquisition of enterprises which have considerable production scale, market and product features in order to bring in new products offerings, new technology and/or new customers to the Group. Taking into account the Group's development plan, we consider that the Acquisition is a viable and feasible move of the Group and is also in line with the Group's development plan.

(iv) Replacement cost

We concur with the Directors view that it is unworthy of developing a new business sector for the manufacture and sale of Zhongmei Special Wires and Cables instead of acquiring it from the Vendors after taking into consideration of the followings:

- (a) Zhongmei Cable has leading position in the market for cables for mining;
- (b) According to the certification issued by China Electrotechnical Society Professional Committee on cables used for mining in March 2010 (中國電工技術學會煤礦電工專業委員會礦用電纜學組), Zhongmei Cable was ranked as one of the top ten manufacturers of rubber cables for mining. Zhongmei Cable participated in the formulating of industry standard for cable used for coal mine and the drafting and revision of national recommended standards for rubber-sheathed cables used for mining. China Electrotechnical Society ("CES") was established in 23 July 1981. It is a legally registered corporate social group composed voluntarily by electrical engineers and different institutions engaged in research, design, manufacture, application, teaching and management in electrical field. It is a national-leveled non-profit social organization and is an integral part of the Chinese Association for Science and Technology (CAST), headquartered in Beijing. Professional fields that CES covered includes the research and application of electrical theory, research and development of new electrical technologies, electrical materials and processes, and electrical technologies and electrical products used in the power, metallurgy, mining and other industries. The ranking was assessed with reference to the research and development capability in special cables used for mining, the level of participation in the special cables' standards drafting and formulation, size of operation and company's financial strength;
- (c) Zhongmei Cable is among a few enterprises in China which has obtained comprehensive safety accreditation in wires and cables used for mining. According to Mining Products Safety Approval and Certification Center (安標國家礦用產品安全標誌中心), as at the Latest Practicable Date, there are about

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321 wires and cables manufacturers in China, which have obtained safety certificate for different products. There are only 10 enterprises and 15 enterprises who have obtained accreditation for MVFP (煤礦變頻裝置用橡套軟電纜) and MKJVR (煤礦用交聯聚乙烯絕緣聚氯乙烯護套控制軟電纜) respectively. Only 3 enterprises who have obtained accreditation for both MVFP and MKJVR and Zhongmei Cable is one of them;

- (d) Zhongmei Cable has obtained requisite globally acceptable licence and certificate for shipping used cables (as disclosed per below table) of which the Group does not process, such as the China Classification Society, the American Bureau of Shipping, the Lloyd's Register of Shipping, the Germanischer Lloyd and the Bureau Veritas;

Type of licence	Type/scope of licence	Licence number/ registration number	Standard	Date of issue	Date of expiry	Issuing authority
CCS China Classification Society Certificate of Works Approval	Rated voltage 0.6/1kV EPR insulated marine power cables, rated voltage 0.6/1kV XLPE insulated marine power cables, rated voltage 3.6/6kV-8.7/15kV XLPE insulated marine power cables	NJ12W00031	IEC60092-350:2008 IEC60092-353:2011 IEC60092-354:2003	2012/6/19	2016/6/18	China Classification Society Nanjing Branch
	Rated voltage 150/250V(300V) EPR insulated marine control and instrument cables, rated voltage 150/250V(300V) PVC insulated marine control and instrument cables, rated voltage 150/250V(300V) XLPE insulated marine control and instrument cables		IEC60092-376:2003			
	Rated voltage 150/250V(300V) EPR insulated marine communication cables, rated voltage 150/250V(300V) PVC insulated marine communication cables, rated voltage 150/250V(300V) XLPE insulated marine communication cables		IEC60092-376:2003			
	Rated voltage 0.6/1kV or below PVC insulated marine cables		IEC60092-350			
	Rated voltage 0.6/1kV EPR insulated low smoke zero halogen marine power cables		IEC60092-350/351/353/354/359/373/375/376, IEC61034, IEC60754-1, IEC60332-3, GJB1916-94 Q320282DDE020-2007			

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Type of licence	Type/scope of licence	Licence number/ registration number	Standard	Date of issue	Date of expiry	Issuing authority
	Rated voltage 150/ 250V(300V) EPR insulated low smoke zero halogen marine control cables		IEC60092-350/351/353/354/ 359/373/375/376, IEC61034, IEC60754-1, IEC60332-3, GJB1916-94 Q320282DDE021-2007			
	Rated voltage 150/ 250V(300V) EPR insulated low smoke zero halogen symmetric marine communication cables		IEC60092-350/351/353/354/ 359/373/375/376, IEC61034, IEC60754-1, IEC60332-3, GJB1916-94 Q320282DDE022-2007			
BV certification awarded to marine cables	0.6/1kV, CE, CJ series marine power cables (/DA,/SA,/NA,/SC,/NC)	21761/A1 BV	IEC 60092-350/351/ 359/353, IEC 60228, IEC 60332-1, IEC 60332-3-22 Cat.A, IEC 60331-21, IEC 60754-1/2, IEC 61034-1/2	2012/7/23	2014/7/22	BUREAU VERITAS
	150/250V, CHE, CHJ series marine communication cables (/DA,/SA,/SC,/NC)	21762/A1 BV	IEC 60092-350/351/ 359/376, IEC 60228, IEC 60332-1, IEC 60332-3-22 Cat.A, IEC 60331-21, IEC 60754-1/2, IEC 61034-1/2	2012/5/30		
ABS certification awarded to marine cables	CEPJ, CEF, CJPJ, CJPF series	07-SQ259633- 1-PDA	IEC60092-350/353, IEC60332-3Category A, IEC60332-1, IEC61034, IEC60754, IEC60331	2007/12/10	2017/8/11	AMERICAN BUREAU OF SHIPPING
	CHEP, CHEFP, CHEPJ, CHEPJP, CHEV, CHEVP, CHJJP, CHJJPJ series	07-SQ259634- 1-PDA	IEC60092-376, IEC61034, IEC60754, IEC60332-3 Category A, IEC60331			
LR certification awarded to marine cables	CEF, CEPI, CJPI series	08/10059	IEC 60092-350/ 351/353/354/359, IEC 60332-1-2, IEC 60332-3-22, IEC 60331-21, IEC 60754-1-2, IEC 61034-1-2	2008/10/22	2013/10/21	Lloyd's Register
	CHEP, CHEFP, CHEVP, CHEPJ, CHEPJP, CHEV, CHJJP, CHJJPJ series	08/10060	IEC 60092-351/ 359/376, IEC 60332-1-2, IEC 60332-3-22, IEC 60331-21, IEC 60754-1-2, IEC 61034-1-2			

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Type of licence	Type/scope of licence	Licence number/ registration number	Standard	Date of issue	Date of expiry	Issuing authority
GL certification awarded to marine cables	CEF, CEF80, CEF90, CEF82, CEF92 (/DA./SA./NA)	44 818-07 HH	IEC 60092-350:2008; IEC 60092-353:2011; 60092-351:2004; 60092-359:1987; IEC 60332-1:2004(DA); 60332-3-22:2009(SA); Cat.A:2000(SA); NA); 60331-21/1	2012/10/22	2017/10/22	Germanischer Lloyd
	CEPJ, CEPJ80, CEPJ90, CEPJ85, CEPJ95 (/SC./NC)	44 819-07 HH	IEC 60092-350:2008; 60092-353:2011; 60092-351:2004; 60092-359:1987; 60332-3-22:2009; 60331-21/1:1999/2009(NC); 60754-1/2:2011; 61034-1/2:2005			
	CJPJ, CJPJ80, CJPJ90, CJPJ85, CJPJ95 (/SC./NC)	44 820-07 HH	IEC 60092-350:2008; 60092-353:2011; 60092-351:2004; 60092-359:1987; 60332-3-22:2009, 60331-21/1; :1999/2009(NC); 60754-1/2:2011; 61034-1/2:2005			
	CHEF, CHEFP, CHEV series (/DA./SA./NA)	44 821-07 HH	IEC 60092-376:2003; 60092-351:2004; 60092-359:1987; 60332-1:2004; IEC 60332-22:2009(SA); 60331-21/1:1999/2009(NA);			
	CHEPJ, CHEPJP, CHJPJ, CHJPJP series	44 822-07 HH	IEC 60092-350:2008; 60092-376:2003; 60092-351:2004; 60092-359:1987; IEC 60332-3-22:2009(NC); 60331-21/1:1999/2009(NC); 60754-1/2:2011; 61034-1/2:2005			

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- (e) Zhongmei Cable has obtained 32 patents and applied for additional 14 patents as at the Latest Practicable Date in relation to the Zhongmei Special Wires and Cables;

(I) Authorized patents

Number	Type	Name of patent	Patent number	Date of issue	Date of expiry
1	Invention patent	Modified rubber insulated luminous cable	ZL2005 1 0038140.9	2007/12/26	2017/12/26
2	Invention patent	Rubber insulating material and rubber sheathing material of cables used for mining	ZL2006 1 0085541.4	2010/4/21	2020/4/21
3	Invention patent	Application of 2-Mercaptobenzimidazole as anti-oxidizing agent of copper conductors of cables	ZL2008 1 0023866.9	2010/6/2	2020/6/2
4	Invention patent	Low-temperature resistant and cracking resistant soft rubber cable used for wind power generation	ZL2007 1 0192206.9	2010/12/29	2020/12/29
5	Practical new model	Advanced control cable	ZL2005 2 0072988.9	2006/9/6	2016/9/6
6	Practical new model	High voltage XLPE single core cable used for wind power generation	ZL2008 2 0032899.5	2008/12/31	2018/12/31
7	Practical new model	Safe and flexible frequency converter cable	ZL2008 2 0034236.7	2009/3/18	2019/3/18
8	Practical new model	Complex and stable UGEFP cable	ZL2008 2 0038542.8	2009/5/20	2019/5/20
9	Practical new model	High voltage monitoring cable	ZL2008 2 0038541.3	2009/7/8	2019/7/8
10	Practical new model	Cable support used by rubber sheathed cables	ZL2008 2 0038540.9	2009/5/20	2019/5/20
11	Practical new model	Safe rodent-resistant cable	ZL2009 2 0044385.6	2010/3/17	2020/3/17
12	Practical new model	Advanced and flexible drum-reeling cable	ZL2009 2 0047354.6	2010/5/5	2020/5/5
13	Practical new model	Flexible and high-temperature resistant sheathed cable	ZL2009 2 0235277.7	2010/7/28	2020/7/28

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Number	Type	Name of patent	Patent number	Date of issue	Date of expiry
14	Practical new model	Twist-resistant shielded cable used by robots	ZL2009 2 0235278.1	2010/7/21	2020/7/21
15	Practical new model	Travelling flat cable used by cranes	ZL2010 2 0022552.X	2010/10/6	2020/10/6
16	Practical new model	Floating cable used for wind power generation	ZL2010 2 0529031.3	2011/4/20	2021/4/20
17	Practical new model	Advanced waterproof floating cable	ZL2011 2 0181580.0	2012/1/4	2022/1/4
18	Practical new model	Soft rubber trailing cable with advanced flexible structure	ZL2011 2 0181578.3	2012/1/4	2022/1/4
19	Practical new model	Sheathed structure for reeling cables	ZL2011 2 0231668.9	2012/1/4	2022/1/4
20	Practical new model	Sheathed structure for cables used by coal mining machines	ZL2011 2 0245341.7	2012/1/11	2022/1/11
21	Practical new model	Waterproof soft rubber cable for aquarius fountains	ZL2011 2 0261609.6	2012/3/14	2022/3/14
22	Practical new model	Soft rubber cable for coal mining frequency converters	ZL2011 2 0261597.7	2012/3/14	2022/3/14
23	Practical new model	Luminous cable	ZL2011 2 0413050.4	2012/5/30	2022/5/30
24	Design patent	High voltage XLPE single core cable used for wind power generation	ZL2008 3 0023376.X	2009/5/6	2019/5/6
25	Design patent	Saddle support (1)	ZL2008 3 0205276.9	2009/9/9	2019/9/9
26	Design patent	Saddle support (2)	ZL2008 3 0205275.4	2009/9/9	2019/9/9
27	Design patent	Saddle support (3)	ZL2008 3 0205274.X	2009/9/9	2019/9/9
28	Design patent	UGEFP cable (1)	ZL2008 3 0205278.8	2009/9/9	2019/9/9
29	Design patent	UGEFP cable (2)	ZL2008 3 0205277.3	2009/9/9	2019/9/9
30	Design patent	Flat cable	ZL2008 3 0205279.2	2010/1/20	2020/1/20

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Number	Type	Name of patent	Patent number	Date of issue	Date of expiry
31	Design patent	Flat cable	ZL2010 3 0019526.7	2010/9/1	2020/9/1
32	Design patent	Waterproof floating cable	ZL2011 3 0207854.4	2012/1/4	2022/1/4

(II) Applied but not yet authorized patents

Number	Type	Name of patent	Application number
1	Invention patent	Advanced waterproof floating cable	201110145510.4
2	Invention patent	Soft rubber trailing cable with advanced flexible structure	201110145511.9
3	Invention patent	Sheathed structure for reeling cables	201110184500.1
4	Invention patent	Waterproof soft rubber cable for aquarius fountains	201110206857.5
5	Invention patent	Soft rubber cable for coal mining frequency converters	201110206854.1
6	Invention patent	Luminous cable	201110329414.5
7	Invention patent	Soft monitoring cable with metal shield for mobile applications in coal mines	201210076116.4
8	Invention patent	Advanced aramid soft rubber shielded cable used by coal mining machines	201210076117.9
9	Invention patent	Comprehensive soft rubber cable	201210078117.2
10	Invention patent	Intermediate frequency and low consumption rubber marine cable	201210076779.6

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Number	Type	Name of patent	Application number
11	Invention patent	Marine power cable with enamelled copper wire	201210192253.4
12	Invention patent	Complex optical fiber cable used for mining	201210192251.5
13	Practical new model	Marine power cable with enamelled copper wire	201220275280.3
14	Practical new model	Complex optical fiber cable used for mining	201220275271.4

- (f) Zhongmei Cable has its own research and development department with approximately 50 engineers and technicians as at the Latest Practicable Date;
- (g) As at the Latest Practicable Date, Zhongmei Cable is the only wire and cable enterprise which worked jointly with the Shanghai Electric Cable Research Institute (上海電纜研究所) in the drafting of the national recommended standard on rated voltage 0.6/1kv rubber insulation and sheathing wind power with twist-resistant flexible cables 《額定電壓0.6/1kV橡膠絕緣和護套風力發電用耐扭軟電纜》, which indicates that Zhongmei Cable is in a leading position in the market for cables used for wind power;
- (h) Zhongmei Cable also participated in the drafting of national environmental protection standards relating to the technical requirements for environmental labeling wire and cable products which are to be implemented soon. Zhongmei Cable participated in drafting of national environmental protection standard which can benefit Zhongmei Cable in the following areas:
- (1) to enhance the visibility and influence in the industry;
 - (2) to reflect the technological innovation capacity of Zhongmei Cable;
 - (3) to deepen exchanges and communication with research institutions and the industry;
 - (4) develop and enhance the level of Zhongmei Cable's scientific research personnel; and
 - (5) to lay the foundation for future product sales and participation in the drafting of the standard.

With Zhongmei Cable's participation in the drafting and formulating of the national standard for cables used in wind power, Zhongmei Cable, to certain extent, can lead the market by providing appropriate products well in advance of its peers;

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- (i) Zhongmei Cable has already built up extensive business relationship with its suppliers and customers for the Zhongmei Special Wires and Cables. Zhongmei Cable has been providing quality products and services to meet the special needs of the customers. The customers have business relationship with Zhongmei Cable for approximately 5 years on average. Among the top 5 customers of Zhongmei Cable in 2012, some of them have business relationship with Zhongmei Cable since 2009 and some since 2010. Copper is the main metal raw material. The top 5 suppliers of Zhongmei Cable have been doing business with Zhongmei Cable since 2009;
- (j) Zhongmei Cable has its own land and building with approximately 277,190 sq.meters located at Jiangsu Yixing Gualin Industrial Park Area C for manufacturing and operation;
- (k) Zhongmei Cable has its sales team with extensive experience and knowledge in the Zhongmei Special Wires and Cables market;
- (l) Research and development of Zhongmei Special Wires and Cables which possess advanced features will require extensive effort and time for the Group which may adversely affect the Group's existing operation; and
- (m) As advised by the Company's PRC legal adviser, we noted that Zhongmei Cable has obtained all the necessary licence and/or approval of its business activities.

(v) *Experienced management team of the Target Group*

The senior management team of the Target Group consists of 10 members who has approximately 20 years relevant experience on average in the special types of wires and cables trading industry. The Target Group also has an experienced sales team of 93 members with relevant experience from 2 to 25 years (10 years experience on average) in special types of wires and cables trading industry. It is proposed that Mr. Chu Hui will be appointed as an executive Director with effect from the date of Completion, whose major duty would be supervising the operation of Zhongmei Cable. Mr. Chu Hui has over 18 years of experience in the wire and cable industry in the PRC and he has been the chairman, executive director and general manager of Zhongmei Cable since May 2005, and has been responsible for the overall management of production, operation, sales and administration matters in Zhongmei Cable. Taking into account that (i) Zhongmei Cable is specialised in the manufacture of Zhongmei Special Wires and Cables, (ii) Mr. Chu Hui is experienced and knowledgeable about the production of the Target Group's major products; and (iii) the Group's strategy to increase its products offering and the market share of the Group in specific industries by manufacture and sale of specialised cables in order to enhance its income stream, the Directors are of the view that the appointment of Mr. Chu Hui as an executive Director with effect from the date of Completion would make much contribution to the Group (which will then include the Target Group) in terms of business expansion, business development and business operation and would be beneficial to the Company and its Shareholders as a whole. Since (i) the appointment of Mr. Chu Hui is only incidental to the Acquisition and will only take effect from Completion, and (ii) the Acquisition is only considered by the Company when such acquisition opportunity arises in 2013, the Acquisition had not been contemplated before the listing of the Company nor the Directors have considered appointing Mr. Chu Hui as a Director before the listing of the Company.

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(vi) *Industry prospects*

(a) *Wires and cables for mining used (in particular coal mines which Zhongmei Cable is focused on)*

According to BP Statistical Review June 2012, The PRC was the world's largest producer of coal, with total coal production of approximately 3,520 million tons and accounts for approximately 45.7% of global coal production in 2011. The PRC was also the world's largest consumer of coal and accounts for approximately 49.4% of the global coal consumption. Furthermore, the PRC's coal consumption accounted for approximately 70.4% of its total primary energy consumption, the highest among all countries, in 2011.

The PRC's total coal consumption increased from approximately 1,393 million tons of oil equivalent in 2007 to approximately 1,839 million tons of oil equivalent in 2011, representing a CAGR of approximately 7.2%.

With the PRC's real GDP expected growth of approximately 7% under the Twelfth Five-Year Plan, demand for coal and coal mining and excavating equipment (including wires and cables for mining used) is expected to remain strong in the foreseeable future. According to the National Bureau of Statistic of China, the fixed assets investment of coal mining industry in the PRC increased from approximately RMB181 billion in 2007 to approximately RMB490 billion in 2011, representing a CAGR of approximately 28.3%. According to the China National Coal Mining Machinery Industry Association (the "CMIA"), approximately 20% to 30% of the total fixed assets investment in the PRC coal mining and excavating industry from 2007 to 2011 was allocated to equipment investment.

According to State Administration of Work Safety of the PRC (the "SAWS") and CMIA, the mechanization rate of coal mining in the United States was approximately 100% in 2010 while that in the PRC was below 60%, and coal mining fatalities rate per million tons of mined coal in the United States was approximately 0.027 while that in the PRC was approximately 0.564 in 2011. To improve coal mining safety, the PRC government has promulgated laws, regulations and other administrative measures to: (i) shut down small, unsafe coal mines; (ii) reorganize and consolidate small coal mines to form larger, regulated coal mining operations; and (iii) improve the automation and mechanization of underground coal mines with targeted mechanization rate of approximately 75% for all coal mines in the PRC and with targeted mechanization rate of approximately 95% for large coal mines by 2015 according to the Twelfth Five-Year Plan.

The demand for advanced coal mining and excavating equipment (including sophisticated and safety coal mining cables) is expected to grow as a result of: (i) expanded production scale and increased capacity of coal mines; (ii) newly-discovered deep mines; (iii) complicated geological conditions (According to Heading Century Consulting, approximately 97% of coal reserves in the PRC are found 400 meters below the surface and, as such, complex underground mining operations will be required to extract such reserves); and (iv) enhanced safety awareness measures.

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(b) China's Wind Power Industry

The National Energy Administration of China (the "NEA") has set a series of development goals for the country's renewable energy sector during the Twelfth Five-Year Plan, which shows that by 2015 the country's wind power capacity will reach 100 GW, based on the current capacity of 40 GW.

The PRC's wind power capacity will reach 200 gigawatt, 400 gigawatt and 1,000 gigawatt by 2020, 2030 and 2050, respectively, which make wind power become one of the five major sources of electricity across the country. In such regards, by 2050 the PRC's investment in the wind power sector is expected to reach RMB12 trillion which provide business opportunities for wind power equipment manufacturers.

However, since 2011, problems with the development of the PRC's wind power industry gradually have become apparent. Problems including the grid connection bottleneck, severe wind power curtailment, and frequent quality and safety issues restricted the development of the PRC's wind power industry, and the industry entered a period of adjustment and transition. This retrenching continued in 2012, whilst a series of industry policies including wind power technology, grid connection and consumption, project approval, and wind power tariffs were introduced.

Connection bottleneck will affect the consumption of wind energy to the grid. The NEA has completed the research and analysis, project designs, management methods and implementation plan on the Renewable Portfolio Standard in order to tackle the wind power grid connection bottleneck. The Renewable Portfolio Standard Management Guidelines (Discussion Draft) (可再生能源電力配額管理辦法(討論稿)) was issued to all provinces for consultation, the implementation of which will be officially published after further amendments. These guidelines were prepared in accordance with the Renewable Energy Law. The introduction of these guidelines will have a substantial effect on facilitating the consumption of renewable energy to the grid, and will play a key role in ensuring that the target of a 15% representation by non-fossil fuel energy in terms of total energy consumption by 2020 can be achieved.

Curtailed wind power is wind power that was not put to use, that essentially goes to waste. According to Wanqing Zhou of the China Program at Worldwatch Institute notes, the amount of wasted wind power has been increasing substantially in PRC. The amount of curtailed wind power was 20,000 gigawatt hour in 2012, approximately doubled since 2011. This resulted in wind farms being allowed to generate electricity for only 1,420 hours in 2012, which was much lower than the industry-adopted economic minimum of 1,900 hours. While the PRC's wind deployment continues to face these challenges, the PRC's renewable energy sector continues to build on its recent growth. On one hand, the PRC's renewable energy companies face the same problems of oversupply and problematic finances seen elsewhere. On the other hand, the PRC's policies in supporting wind and solar will keep these sectors expanding at a rapid pace, unlike elsewhere in the world. The PRC has quickly moved from being a bit player on the world renewable stage in 2006 to being the world's largest market for many renewable energy technologies, especially wind. The PRC now leads the world in terms of installed wind capacity, and clearly remains a relative bright spot for

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equipment and component sales. With the U.S. wind industry falling off its own version of the fiscal cliff while Europe struggles to reconcile older feed-in tariffs with new austerity measures, it seems clear that China will retain its new-found lead in renewable energy over the near term.

In light of frequent safety issues during wind farm construction and operations and weaknesses in the safety management of the wind power industry, the NEA successfully issued procedures and regulations regarding grid connection testing of wind turbine generators (“WTGs”), post-construction inspection of wind farm projects, supervision of energy project quality, and operations and maintenance of wind farms in 2012, requiring wind farm developers to strengthen the safety management and quality control of wind farms in order to facilitate the sustainable development of the industry. In February 2012, the NEA issued the Notice of Regulatory Requirements for Wind Power Development, Construction and Management (關於規範風電開發建設管理有關要求的通知) which proposed for stricter implementation of the wind power projects approval system, and newly approved projects will be required to take into account grid output requirements and the wind power consumption market. In addition, this notice proposed for strengthening management for the demand of power and improving the efficiency of wind power consumption. In order to better regulate the development of wind power, the NEA began to manage wind power project approvals centrally in 2011. In 2012, the NEA announced the second batch of wind power projects with full preliminary preparations and workable grid connection conditions approved under the 12th Five- Year Plan. Together with the supplemental project approvals and the first batch of projects approved in 2011, the cumulative approved wind power projects exceeded 55GW. This retrenching continued in 2012, whilst a series of industry policies including wind power technology, grid connection and consumption, project approval, and wind power tariffs were introduced.

Under the Twelfth Five-Year Plan, the Ministry of Science and Technology of the PRC issued the Specialised Plan for the Development of Wind Power Technology. The National Development and Reform Commission (the “NDRC”) and the NEA issued the Renewable Energy Development Plan and Wind Power Development Plan; and the State Council issued the Development Plan for National Strategic Emerging Industries respectively. The introduction of all these relevant plans will guide and stimulate PRC’s wind power industry to transition from quantity to quality oriented development.

Wind power curtailment is currently the biggest obstacle for the development of PRC’s wind power industry. The introduction of the Notice of Requirements for Strengthening Wind Power Grid Connection and Consumption and the Renewable Portfolio Standard Management Guidelines (Discussion Draft) by the NEA demonstrate that the authorities have become fully aware of the seriousness of the wind power grid connection bottleneck and power consumption problems, and has taken positive steps to tackle such problems.

The Distributed Power Management Guidelines (Consultation Draft) (分佈式發電管理辦法(徵求意見稿)) and the Grid Connection of Distributed Power Management Guidelines (Consultation Draft) (分佈式發電併網管理辦法 (徵求意見稿)) have significant implications for the reform of the power grid system and will stimulate the development of distributed power through measures including supplementary tariffs, sale of additional power generated

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to the grid companies, and offering ownership rights for grid equipment to investors. This has opened up new directions for the future of wind power consumption, grid connection and wind farm development.

(c) Ship-building industry in PRC

The Ministry of Industry and Information Technology promulgated the Twelfth Five-Year Plan for Shipbuilding Industry on March 12. It raised that the shipbuilding industry of China will be much more improved in terms of industrial system, more reasonable in terms of industrial structure, significantly enhanced in innovative capacity and comprehensive industrial quality by 2015. PRC's shipbuilding industry will stably take a leading market share in the international shipbuilding market and China will become a worldwide superpower in shipbuilding industry.

The detailed goals raised in the Twelfth Five-Year Plan include that the sales revenue of shipbuilding industry shall reach RMB1,200 billion, the total exports will exceed USD80 billion, and the sales of marine engineering equipment in manufacturing industry will exceed RMB200 billion with an international market share of exceeding 20% in 2015.

According to China Shipbuilding Industry Report, 2012–2014 released by Sino Market Insight, it predicted that the accomplished shipbuilding output in PRC will reach bulk cargo ships of approximately 300.3 million deadweight tonnage, oil tankers of approximately 39.4 million deadweight tonnage and container ships of approximately 103.7 million deadweight tonnage by 2013, and former Premier Wen Jiabao, would build China into the world's largest shipbuilding country in the next 15 years.

The increase in shipbuilding drives the increasing demand for special wire and cable used for ship. Wire and cable as nerves and blood vessels of a ship is directly related to the safety of a ship, reliability, advanced and combat capability. Modern ships accumulated laying all kinds of cables up to tens of kilometers. A cruise has to lay over 1,000 kilometers of insulated cables all over the ship. The special nature of the marine environment in which the cable is basically the low smoke zero halogen "LS0H" special cable. Cable usually should be fireproof, waterproof, non-toxic, and easy to transport.

Taking into consideration of the above mentioned principal factors and reasons, we consider that the entering into the Agreement by the Group is in the interests of the Company and the Shareholders as a whole.

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3. Principal terms of the Acquisition

The Agreement

Date

19th April 2013 (date of the Supplemental Agreement being 13 June 2013)

Parties

Vendors:

- (i) Mr. Chu Hui
- (ii) Mr. Yang Zhen
- (iii) Mr. Chu Kai Qiang
- (iv) Ms. Chu Xi Feng
- (v) Mr. Zeng Guoming
- (vi) Mr. Shi Yong Jiu
- (vii) Mr. Shi Huan Xiang
- (viii) Mr. Liu Wen Sheng

Purchaser: Jiangnan Cable, a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save that (i) Mr. Chu Hui is the son-in-law of Mr. Rui Fubin (the Chairman, chief executive officer of the Company and an executive Director) and the brother-in-law of Mr. Rui Yiping (an executive Director); and (ii) Mr. Chu Kai Qiang is the father of Mr. Chu Hui; (iii) Ms. Chu Xi Feng is the sister of Mr. Chu Hui; and (iv) Mr. Zeng Guoming is the uncle of Mr. Chu Hui, each of the Vendors is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Target Shares, being the entire equity interest in Target Company.

As at the Latest Practicable Date, the Vendors hold 100% of the equity interest of the Target Company, i.e. Mr. Chu Hui, Mr. Yang Zhen, Mr. Chu Kai Qiang, Ms. Chu Xi Feng, Mr. Zeng Guoming, Mr. Shi Yong Jiu, Mr. Shi Huan Xiang and Mr. Liu Wen Sheng directly hold 73.93%, 13.33%, 10%, 1.8%, 0.63%, 0.13%, 0.11% and 0.07% of the equity interest in the Target Company respectively.

Conditions Precedent

Completion shall be subject to the satisfaction or waiver of the following Conditions Precedent:

- (a) all necessary authorisations, consents and approvals in relation to the transfer of the Target Shares have been obtained by the Vendors;

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- (b) the delivery by the Vendors to the Purchaser of all necessary government approvals obtained for the transfer of the Target Shares;
- (c) there having been no material adverse change on the Vendors or any member of the Target Group;
- (d) all representations and warranties given by the Vendors under the Agreement having not been breached and the Vendors having performed all undertakings and warranties required to be performed before Completion as stipulated in the Agreement;
- (e) the Purchaser having completed the due diligence review on the Target Group and being satisfied with the results of the due diligence review;
- (f) all necessary authorisations, consents and approvals in relation to the transfer of the Target Shares having been obtained by the Purchaser, including but not limited to the approval given by the Independent Shareholders at the EGM;
- (g) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) issued by a law firm practicing the laws of the PRC in relation to the Target Group; and
- (h) the Purchaser having satisfied that before Completion, all representations, warranties and undertakings given by the Vendors under the Agreement have remained true, complete, accurate and not misleading in all material respects and there have not been any circumstance which would lead to breach of the warranties given by the Vendors or any terms of the Agreement.

The satisfaction of Conditions Precedent (c) and (d) above are capable of being waived by the Purchaser. However, the Company does not have any intention to waive any of the above Conditions Precedent and the Company will only waive such Conditions Precedent if the waiver does not adversely and materially affect the interest of the Group and confines to insignificant matters relating to the Target Group and/or the Vendors. In the event that the above Conditions Precedent have not been fulfilled or waived by the Purchaser on or before 31 July 2013 (or such other date as the Purchaser and the Vendors may agree), the Agreement shall lapse and thereafter neither party to the Agreement shall have any rights or obligations towards each other.

Consideration

The maximum amount of the Consideration is RMB500,000,000 (equivalent to approximately HK\$625,000,000) while the minimum amount of the Consideration is RMB422,075,000 (equivalent to approximately HK\$527,594,000). The Consideration shall be satisfied in the following manner:

- (a) upon Completion, an aggregate sum of RMB422,075,000 (equivalent to approximately HK\$527,594,000), being the minimum amount of the Consideration, shall be paid by the Purchaser to the Vendors (which amount shall be shared amongst the Vendors in proportion to their respective shareholding in the Target Company); and

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(b) if applicable, an additional amount as determined as follows shall be paid to the Vendors (which amount shall be shared amongst the Vendors in proportion to their respective shareholding in the Target Company) within ten Business Days after the issue of the 2013 Audited Accounts:

(i) where the audited combined net profits after taxation, exceptional or extraordinary items and minority shareholders' interest of the Target Group for the year ending 31 December 2013 ("2013 Actual Profit") exceeds the Reference Profit but is less than RMB75,000,000 (equivalent to approximately HK\$93,750,000) ("2013 Target Profit"), being the target profit of the Target Group set by the Vendors for the year ending 31 December 2013, such additional amount shall be determined in accordance with the following formula:

$$\text{additional amount to be paid} = A - B \times 7.5$$

where:

A = RMB77,925,000 (equivalent to approximately HK\$97,406,000), being the difference between the maximum amount of the Consideration and the minimum amount of the Consideration

B = the difference between the 2013 Target Profit and the 2013 Actual Profit

Or

(ii) where the 2013 Actual Profit is equal to or exceeds the 2013 Target Profit, such additional amount shall be equal to RMB77,925,000 (equivalent to approximately HK\$97,406,000), being the difference between the maximum amount of the Consideration and the minimum amount of the Consideration.

For the avoidance of doubt:

(a) where the 2013 Actual Profit is equal to or less than the Reference Profit, other than the Consideration paid upon Completion, the Purchaser will not be required to pay to the Vendors any additional amount of the Consideration. In such case, the Consideration shall be fixed at RMB422,075,000 (equivalent to approximately HK\$527,594,000); and

(b) where the 2013 Actual Profit exceeds the 2013 Target Profit, the excess of the 2013 Actual Profit over the 2013 Target Profit will be retained by the Purchaser and there will not be any upward adjustment to the maximum amount of the Consideration. In such case, the Consideration shall be fixed at RMB500,000,000 (equivalent to approximately HK\$625,000,000).

As at the Latest Practicable Date, Mr. Chu Hui directly held 73.93% of the equity interest in the Target Company. The total investment costs of the Target Group (which comprise the Target Company, Zenghui Investment and Zhongmei Cable) by the Vendors are RMB110,900,000,

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RMB26,229,582.49, RMB15,000,000, RMB2,700,000, RMB950,000, RMB200,000, RMB150,000 and RMB131,147.91 for Mr. Chu Hui, Mr. Yang Zhen, Mr. Chu Kai Qiang, Ms. Chu Xi Feng, Mr. Zeng Guoming, Mr. Shi Yong Jiu, Mr. Shi Huan Xiang and Mr. Liu Wen Sheng respectively.

Completion

Completion shall take place on the third Business Day following the date on which the last of the above Conditions Precedent is fulfilled or waived (where applicable).

Upon Completion, each member of the Target Group will become an indirect wholly-owned subsidiary of the Company and its financial result will be consolidated into the financial result of the Company.

4. Basis of determining the Consideration and adjustment mechanism

According to the Letter from the Board, we understand that the Consideration was determined between the Purchaser and the Vendors after arm's length negotiations with reference to the historical performance of Zhongmei Cable for the three years ended 31 December 2012, the net asset value of Zhongmei Cable as at 31 December 2012 (with adjustment of final dividend of RMB10,000,000 (equivalent to approximately HK\$12,500,000) for the year ended 31 December 2012 declared by Zhongmei Cable) and the prospects of the Target Group. Subject to the adjustment mechanism on Consideration and the 2013 Actual Profit, the minimum Consideration and maximum Consideration are fixed at a price earnings multiple ("PER") of approximately 6.3 times and 7.5 times respectively to the audited net profit after taxation of Zhongmei Cable for the year ended 31 December 2012.

Based on the audited accounts of Zhongmei Cable, the profit after taxation of Zhongmei Cable for the three financial years ended 31 December 2010, 2011 and 2012 were approximately RMB60.2 million (equivalent to approximately HK\$75.3 million), RMB67 million (equivalent to HK\$83.7 million) and approximately RMB66.6 million (equivalent to HK\$83.3 million) respectively.

Having discussed with the management of the Group in respect of the basis of determination of the Reference Profit and 2013 Target Profit as well as the basis of the adjustment mechanism of the Consideration, we understand from the Management that they were determined after arm's length negotiation between the Purchaser and Vendors after taking into consideration (i) the financial performance of Zhongmei Cable for the three financial years ended 31 December 2012; (ii) the reasons of Acquisition as mentioned in paragraph 2 above; (iii) net asset value of Zhongmei Cable of approximately RMB450 million (equivalent to approximately HK\$563 million) as at 31 December 2012 (with adjustment of final dividend of RMB10,000,000 (equivalent to approximately HK\$12,500,000)) for the year ended 31 December 2012 declared by Zhongmei cable which will be paid to the Vendors in accordance with their respective shareholdings in Zhongmei Cable), and (iv) prospects of the Target Group.

Based on the above and after taking into consideration that, the analysis as set out in paragraph 5 below, we consider that the minimum and maximum Consideration as well as its basis of determination is fair and reasonable, and that the consideration adjustment mechanism can cap the maximum Consideration payable by the Purchaser and has provided downside protection to the Purchaser against any shortfall from the 2013 Target Profit and thus we consider the adjustment is fair and reasonable. Furthermore, even though there is no downside adjustment mechanism, we concur with the Directors'

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view that the Consideration is fair and reasonable after taking into consideration that (i) the minimum Consideration of RMB422,075,000 is lower than the net asset value of Zhongmei Cable of approximately RMB450 million (or approximately RMB440 million after taking into account of dividend of RMB10,000,000 declared by Zhongmei Cable for the year ended 31 December 2012) as at 31 December 2012; (ii) the PER of approximately 7.5 times, which is based on the maximum Consideration of RMB500,000,000 and the audited net profit of Zhongmei Cable for the year ended 31 December 2012 of approximately RMB66.6 million, is lower than the PER of the Company (approximately 9.1 times) as at the date of the Agreement; (iii) the upward adjustment, to certain extent, serves as an incentive to the Vendors for better performance of the Target Group in 2013; and (iv) the contribution by the Target Group as mentioned in aforementioned section 2 headed "Reasons for the Acquisition" paragraphs (i), (ii), (iv) and (v). According to the latest unaudited management accounts of Zhongmei Cable, Zhongmei Cable recorded an unaudited turnover and net profit after tax of approximately RMB498.9 million and RMB28.6 million respectively for the five months ended 31 May 2013 respectively, representing an increase of approximately 12.7% and 78.3% respectively from the corresponding period of 2012. We understand from the Company that the net profit after tax of Zhongmei Cable for five months ended 31 May 2012 and 2013 are unaudited and subject to audit, and such figures only represent the financial performance of Zhongmei Cable for the five months ended 31 May 2013 (instead of the full financial year ending 31 December 2013, the results of which are subject to performance of Zhongmei Cable for remaining period in the financial year ending 31 December 2013) and there is no assurance that the performance of Zhongmei Cable in the five months ended 31 May 2013 will continue. Base on the turnover growth of Zhongmei Cable as aforementioned and on the assumption that such growth can continue throughout 2013 and barring unforeseen circumstances, the Directors are of the view that the Target Group will be able to meet the Reference Profit and are confident that the Target Group can reach 2013 Target Profit.

5. Comparable analysis

The Purchaser has agreed to acquire the Target Shares, being the entire equity interest in the Target Company, at the Consideration ranging from RMB422,075,000 (equivalent to approximately HK\$527,594,000) to RMB500,000,000 (equivalent to approximately HK\$625,000,000), which (i) represents a historical PER of approximately 6.3 times to 7.5 times of the net profit of Zhongmei Cable for the financial year ended 31 December 2012; (ii) represents a PER of approximately 6.5 times based on Reference Profit and the minimum Consideration of RMB422,075,000 (equivalent to approximately HK\$527,594,000) ; and (iii) represents a PER of approximately 7.5 times based on 2013 Target Profit and the maximum Consideration of RMB500,000,000 (equivalent to approximately HK\$625,000,000).

In order to assess the fairness and reasonableness of the Consideration, we have attempted to compare the implied PER of the Consideration with the PERs of other Hong Kong listed companies with similar principal activities, being manufacture and sale of wires and power cables. However, other than the Company, we are unable to identify other companies listed on the Stock Exchange principally engaged in the similar business in accredited products with the Target Group. Although there are other listed companies with similar business to the Target Group in other countries and other manufacturers of rubber cables in PRC (none of them are listed in Hong Kong and mainly private companies with limited available published data), we consider that the Company is the closest comparable to the Target Group in terms of its business activities, major products, geographical presence/market, and the Target Group is to be acquired by the Company listed in Hong Kong.

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Having considered that the size of the Group is larger than Zhongmei Cable (for example, (i) the Group has approximately 2,027 staffs while Zhongmei Cable has approximately 595 staffs as at 31 December 2012; (ii) the industrial complex of the Group has approximately 373,682 sq. meters while the industrial complex of Zhongmei has only 277,190 sq. meters; (iii) the turnover of the Group of approximately RMB5.4 billion was higher than that of Zhongmei Cable of approximately RMB1.3 billion for the year ended 31 December 2012; (iv) the Group's net profit of approximately RMB376.1 million was higher than that of Zhongmei Cable of approximately RMB66.6 million for the year ended 31 December 2012; (v) the Group's total assets of approximately RMB5.3 billion was higher than that of Zhongmei Cable of approximately RMB1.3 billion as at 31 December 2012; and (vi) the net asset value of the Group of approximately RMB1.9 billion was higher than that of Zhongmei Cable of approximately RMB450 million as at 31 December 2012), we concur with the Directors' view that the valuation of the Consideration based on the Acquisition PER of approximately 6.5 times (based on the minimum Consideration) or approximately 7.5 times (based on the maximum Consideration) is lower than the PER of the Company of approximately 9.1 times (according to Bloomberg.com) and is thus fair and reasonable so far as the Independent Shareholders are concerned.

Even though the Acquisition PER based on the maximum Consideration of approximately RMB500,000,000 is higher than the net asset of Zhongmei Cable of approximately RMB450 million as at 31 December 2012, after taking into consideration that (i) the Acquisition PER is lower than the PER of the Company of approximately 9.1 times as at the 19 April 2013; and (ii) the minimum Consideration is lower than the net asset value of the Zhongmei Cable of approximately RMB450 million (equivalent to approximately HK\$565 million) as at 31 December 2012 with adjustment of final dividend of RMB10,000,000 (equivalent to approximately HK\$12,500,000) for the year ended 31 December 2012 declared by Zhongmei cable), we are of the view that the Consideration (with adjustment mechanism) as well as its basis of determination, is fair and reasonable so far as the Independent Shareholders are concerned.

6. Settlement of the Consideration

The Consideration shall be satisfied in the following manner:

- (a) upon Completion, an aggregate sum of RMB422,075,000 (equivalent to approximately HK\$527,594,000), being the minimum amount of the Consideration, shall be paid by the Purchaser to the Vendors (which amount shall be shared amongst the Vendors in proportion to their respective shareholding in the Target Company); and
- (b) if applicable, an additional amount after adjustment (if any) shall be paid to the Vendors (which amount shall be shared amongst the Vendors in proportion to their respective shareholding in the Target Company) within ten Business Days after the issue of the 2013 Audited Accounts.

As discussed in the section 7 below, the Company would have sufficient financial resources to satisfy the Consideration in full and that there will be no material adverse impact on the Group's working capital position as a result of the Acquisition. We consider that the aforesaid payment method is acceptable to the Group.

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7. Financial effect of the Acquisition on the Group

Upon Completion, the Target Group will become a wholly-owned subsidiary of the Group and the results of the Target Group will be consolidated into the financial statements of the Group. But it should be noted that the analyses mentioned below are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon Completion.

Earnings

In light of the possible business prospect of the Target Group attributable to the Group and relatively stable net profit of approximately RMB60.2 million, RMB67.0 million and RMB66.7 million was recorded by Zhongmei Cable for each of the financial years ended 31 December 2010, 2011 and 2012 respectively. The Directors expected that the Acquisition would have a positive impact on the future earnings of the Group as the Company will be able to fully consolidate the financial results of the Target Group into its consolidated financial statements.

Net asset value

It is expected that the Acquisition may give rise to a possible goodwill which would be determined by the fair value of the Target Company as at the date of Completion. The extent to which any impairment provision for the goodwill might be made in the Group's future financial statements would depend on the result of the impairment test based on the assessment of the cash generating unit of the Target Company as at the date of the related reporting period.

Cash position

We noted that the Consideration of the Acquisition is ranging from RMB422,075,000 (equivalent to approximately HK\$527,593,750) to RMB500,000,000 (equivalent to approximately HK\$625,000,000) payable to the Vendors by the Company and to be settled in cash by the Group's internal resources. According to the Group's annual report 2012, the Group had pledged deposit and cash balances of approximately RMB1.9 billion (equivalent to approximately HK\$2.4 billion) and has unutilized banking facilities of RMB1.3 billion (equivalent to approximately HK\$1.6 billion), we are of the view that the Group will have sufficient internal financial resources to satisfy the Acquisition taking into account the sufficient cash reserves of the Group.

Working capital position

Based on the cash flow statements of Zhongmei Cable, it generated approximately RMB32.6 million, -(RMB97.0) million and RMB44.7 million cash inflow/(outflow) from operating activities for the three years ended 31 December 2010, 2011 and 2012 respectively. We note that Zhongmei Cable has a negative operating cashflows for the year ended 2011, based on the information provided by Zhongmei Cable, it was mainly due to increase in sales in 2011 by approximately RMB354 million as compared to 2010 which result in increase in cash outflow on purchase of raw materials. On the other hand, the cash inflow from collection from customers was not in the same pace as the revenue growth during 2011 due to credit period. Zhongmei Cable offered to its customers resulting in an increase of account receivables by approximately RMB213 million as compared to 2010. The causes of the negative operating cashflow were neither on-going nor frequently happened. Zhongmei Cable had rectified the negative operating cashflow by exercising

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tighter controls over its trade receivables and at the same time use bank bills to settle trade payables. Such bank bill used by Zhongmei Cable is an unconditional order by Zhongmei Cable addressed to a bank to pay a fixed sum at the maturity of the bill (usually 180 days from the date of issue). Bank bill can be discounted to bank before maturity by the holder and the bank will provide discounted fund to the holder. Zhongmei Cable sometimes settles its amount due to suppliers by giving them bank bills. Supplier received the bank bill from Zhongmei Cable can either present the bill to bank for discounted fund, hold the bill till matured or transfer the bill to its upstream supplier. As a result, a positive operating cashflow of approximately RMB44.7 million for the year ended 31 December 2012 was recorded. We are advised by the Company that it is expected that the Target Group will be able to finance its operations independently from the Group. Furthermore, as advised by the Group, taking into account the expected Completion and the cash position as aforementioned, the Directors are of the opinion that the Group after completion has sufficient working capital for its present requirements without relying on any banking facilities, that is for at least the next 12 months from the date of the Circular, in the absence of unforeseeable circumstances.

Gearing ratio

According to the 2012 annual report of the Group, the Group had a gearing ratio (defined as the total interest bearing liabilities to the total assets) of approximately 52.0% as at 31 December 2012. Given by the Company, the gearing ratio of the Enlarged Group would be slightly increased to approximately 53.1% assuming that Completion had taken place on 31 December 2012, mainly attributable to the increase in both the total interest bearing liabilities and total assets as a result of the Acquisition. Zhongmei Cable's interest bearing liabilities were mainly bank borrowings in the PRC. All bank borrowings are revolving and repayable within one year and denominated in RMB. Bank borrowings carried interest ranging from rate of the People's Bank of China ("PBOC") to 120% of PBOC rate per annum. Approximately 43.1% bank borrowings as at 31 December 2012 were secured by certain of Zhongmei Cable's assets and the remaining of approximately 56.9% bank borrowings as at 3 December 2012 was with third party's guarantee.

Conclusion

In view of the aforementioned, we are of the view that the impact on the financial position of the Group as a result of the Acquisition to be acceptable in this regard.

RECOMMENDATION ON THE ACQUISITION

Having taken into account the principal factors and reasons referred to the above, in particular the following:

- the Acquisition is in line with the Group's business development strategy;
- positive historical performance of Zhongmei Cable for the three years ended 31 December 2012;
- Zhongmei Cable has obtained requisite licence and patents for Zhongmei Special Wires and Cables;

LETTER FROM RAFFAELLO

- the Consideration after taking into account the adjustment mechanism is fair and reasonable;
- the terms of the Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and
- the impact on the financial position of the Group as a result of the Acquisition is considered to be acceptable.

We opined that, literally, the action of acquisition of the Target Company itself is not in the ordinary and usual course of the business of the Group. However, after taken into account of the reasons and benefits of the Acquisition, as stated under section 2 headed “Reasons for the Acquisition”, we are of the opinion that the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the business to be conducted by the Target Company is consistent with the ordinary and usual course of business of the Group and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
RaffAello Capital Limited
Bruce Tsang
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the 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 the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of each Director or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Long position in shares of the Company

Name of director	The Company/ Name of associated corporations	Capacity/Nature of interest	Number and class of shares in the Company/ associated corporations	Approximate percentage of interest
Rui Fubin	The Company	Interest of controlled corporation	2,206,800,000 ordinary shares (Note)	71.72%
Rui Fubin	Power Heritage	Beneficial owner	83 ordinary shares	83%
Rui Yiping	Power Heritage	Beneficial owner	17 ordinary shares	17%

Note: These shares were registered in the name of Power Heritage, which is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be

entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director, the following person (other than the Directors or chief executives of the Company) had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Number of Shares held	Position	Approximate percentage of shareholding
Power Heritage	Beneficial owner	2,206,800,000 ⁽¹⁾	Long	71.72%
Ms. Shi Mingxian	Interest of spouse	2,206,800,000 ⁽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 Share in which Mr. Rui Fubin is interested in.
- (3) Mr. Rui Fubin and Mr. Rui Yiping are the directors of Power Heritage.

3. DIRECTORS' SERVICE CONTRACTS

(i) Executive Directors

Save and except Mr. Hao Minghui who was appointed on 1 December 2012, each of the other executive Directors have entered into a service contract with the Company pursuant to which he/she agreed to act as an executive Director for a fixed term of three years with effect from 20 April 2012.

Mr. Hao Minghui has entered to into a service contract with the Company pursuant to which he agreed to act as an executive Director for a fixed term from 1 December 2012 to 19 April 2015.

Each of the 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 the Board and approved by the remuneration committee of the 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/her. The current basic annual salaries of the executive Directors are as follows:

Name	Annual salary (RMB)
Mr. Rui Fubin	840,000
Mr. Rui Yiping	600,000
Ms. Xia Yafang	420,000
Mr. Jiang Yongwei	360,000
Mr. Hao Minghui	360,000

Subject to the approval of the Independent Shareholders of the Acquisition, Mr. Chu Hui would be appointed as the executive Director with effect from the date of Completion and would enter into a service contract with the Company with terms similar to those set out above.

(ii) Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for a fixed term of three years commencing from 1 March 2012.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Company or any of the subsidiaries of the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. EXPERT AND CONSENT

The following is the qualifications of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualifications
RaffAello	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

RaffAello has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, RaffAello was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or any proposed Director nor their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing rules, if the Directors or the proposed Directors or their respective associates were controlling Shareholders.

6. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited accounts of the Company were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. at the office of Leung & Lau at 3/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Agreement; and
- (b) the service contracts referred to in the section headed "Directors' Service Contracts" in this appendix.

NOTICE OF EGM



JIANGNAN GROUP LIMITED

江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Jiangnan Group Limited (“**Company**”) will be held at Unit 22, 15/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong, at 2:30 p.m. on Wednesday, 10 July 2013 to consider and, if thought fit, pass the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the share transfer agreement (“**Agreement**”) dated 19 April 2013 and entered into between 無錫江南電纜有限公司 (in English, for identification purpose only, Wuxi Jiangnan Cable Co., Ltd.) and the Vendors (as defined in the circular of the Company dated 24 June 2013, a copy of which is marked “A” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting), as supplemented and amended by a supplemental agreement dated 13 June 2013 and entered into between the same parties, in relation to the proposed acquisition of the entire equity interests in 江蘇錕陽投資有限公司 (in English, for identification purpose only, Jiangsu Zengyang Investment Company Limited) (a copy of which is marked “B” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) and the transactions contemplated thereunder be and are hereby approved; and
- (b) any one of the directors of the Company (“**Director**”) be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Agreement) as are, in the opinion of the Director or the duly authorised committee, in the interest of the Company and its Shareholders as a whole.”

On behalf of the board of directors of
Jiangnan Group Limited
Rui Fubin
Chairman and chief executive officer

The People’s Republic of China, 24 June 2013

NOTICE OF EGM

Principal place of business in Hong Kong:

Unit 22, 15/F
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice shall be 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 the Company or at a class meeting. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The resolution put to vote at the meeting will be decided by way of poll as required by the Listing Rules.

As at the date hereof, the board of Directors comprises the following members:

Executive Directors

Mr. Rui Fubin (*Chairman and chief executive officer*)
Mr. Rui Yiping
Ms. Xia Yafang
Mr. Jiang Yongwei
Mr. Hao Minghui

Independent non-executive Directors

Mr. He Zhisong
Mr. Wu Changshun
Mr. Yang Rongkai
Mr. Poon Yick Pang Philip