江南集團有限公司
Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1366

Annual Report 2012

Milestones

1997

Wuxi Jiangnan established to engage in the manufacturing and sales of wire and cable products

2000

Our brand recognized as **Jiangsu Province Renowned Trademark**

2004

XLPE power cables accredited as **China Famous Products**

2005

Our products accredited as **National Free of Inspection Products**

2006

Nuclear power plant cables passed the inspection test

2007

Accredited as **State Key High Technology Enterprise**

Entered into five-year master supply agreements with **Eskom** (a state-owned company in South Africa)

2008

Obtained **National Laboratory Accreditation Certificate**

2009

Obtained combined certifications including **ISO 9001, ISO 14001, OHSAS 18001**

2010

Recognised as **China Well-known Trademark by SAIC**

Commenced production of **high voltage cables** with rated voltage of 110kV

2011

Commenced commercial production **of high and ultra-high voltage cables** with rated voltage of **220~500kV**

Secured a key account in Singapore

2012

Listed on the Main Board of the HKEx

Invested in Aluminum-alloy and double capacity wire

Established production lines in South Africa

Contents

Corporate Profile

One of the **largest suppliers** of electric wires and cables in **China**

Jiangnan Group Limited ("Jiangnan Group", together with its subsidiaries, the "Group") is one of the largest manufacturers of wires and cables for power transmission, distribution systems and electrical equipment in the People's Republic of China ("China" or "PRC"). Our products are widely used in power industry and general industries (including metals and mining, oil and gas, transportation, shipbuilding, construction and others). According to IBISWorld Inc., an independent market research institution, we were the third largest manufacturers of wires and cables for power transmission and distribution systems as well as electrical equipment in China in terms of sales in 2011.

We offer over 10,000 products under three main categories, namely power cables, wires and cables for electrical equipment and bare wires. Our products carry different characteristics to meet customers' needs including low smoke zero halogen, water resistant, heat resistant, optical and electric combined, flame retardant, fire resistant, oil resistant, rodent and termite proof, all weather and radiation resistant.

Our products are primarily marketed and sold under our "" brand, which was recognised as a China Well-known Trademark (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC and awarded as the State Inspection-Free products. Our products were also accredited as "Customer Satisfaction Products" by China Association for Quality and National Committee for Customers in December 2007.

We have strong research and development capabilities. We established a research workstation jointly with the academician of the China Academy of Engineering and China Academy of Science as well as a state postdoctoral research workstation. We have also participated in the drafting and formulating of 29 national industry standards for the manufacturing processes for power cables, wires and cables for electrical equipment and bare wires. We had obtained 53 patents that are material to our business in the PRC. We are endorsed as a High and New Technology Enterprise again by Yixing Provincial Commission of Science and Technology and entitled to a reduced PRC income tax rate of 15% until next renewal in 2015. Our recent high-tech products include ultra-high voltage cables, photovoltaic solar cable, cables used for wind power, optical fiber composite cable and aluminum-alloy cables.

Corporate Profile

With our high quality products, our renowned brand and good reputation, strong research and development capabilities, as well as manufacturing and production capabilities, we have maintained a solid and wide customer base including certain industry leaders in their respective industry. We have provided products for many prominent infrastructure projects, such as the National Olympic Sports Centre & 6 other stadiums for the 2008 Beijing Olympic Games, the Performance Center for the 2010 Shanghai World Expo, the Shanghai World Financial Center, the Beijing Capital International Airport, the Nanjing Lukou International Airport, the Shenzhen International Airport, the Power Transmission from West to East Project, (the first ±800kV direct current transmission system from Yunnan to Guangdong), the No.5 line of the Shenzhen Metro Project, the No. 7 line of the Shanghai Metro Project, the No. 8 line of the Beijing Metro Project, the recent Ningtian Intercity Line Phase 1 and high speed railways from Fuzhou to Xiamen, to name a few. We are capable of producing cables for use in extremely low temperature environments in the polar regions, which has been recognised as a Dedicated Product for China North & South Pole Research by the China Polar Region Research Center.

Our products have been exported to more than 50 countries. In particular, we are a qualified supplier of Eskom Holding Limited ("Eskom"), which is a state-owned power generation and transmission company in South Africa, a fast growing market for power cables. We began to supply our products to Eskom in 2007 and we are a South Africa Bureau of Standard (SABS) certified manufacturer of wires and cables in the PRC that can supply power wire and cable products to South Africa.

Corporate Information

Executive Directors

Rui Fubin *(Chairman, Chief executive officer and Chairman of Corporate Governance Committee)*
Rui Yiping
Xia Yafang
Jiang Yongwei
Hao Minghui

Independent non-executive Directors

He Zhisong
Wu Changshun *(Chairman of the Nomination Committee and the Remuneration Committee)*
Yang Rongkai
Poon Yick Pang Philip *(Chairman of the Audit Committee)*

Authorized Representatives

Chan Man Kiu
Xia Yafang

Company Secretary

Chan Man Kiu, *CPA, FCCA*

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Ltd.
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office

Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111, Cayman Islands

Principal Place of Business in Hong Kong

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

Principal Place of Business in China

53 Xinguandonglu, Guanlin Town, Yixing City
Jiangsu Province, China

Independent Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Legal Advisors

Conyers Dill & Pearman (Cayman) Limited (Cayman Islands laws)
Leung & Lau (Hong Kong laws)
AllBright Law Offices (PRC laws)

Compliance Adviser

Daiwa Capital Markets Hong Kong Limited
Level 28, One Pacific Place
88 Queensway, Hong Kong

Stock Code

1366

Website

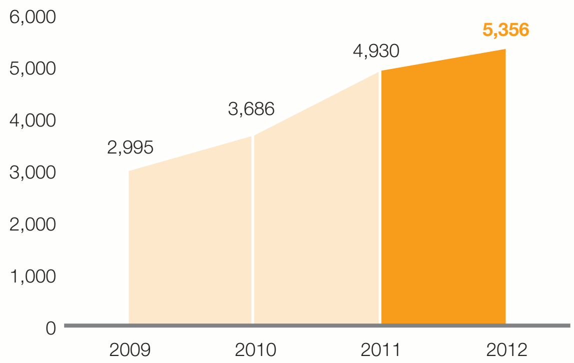
www.jiangnangroup.com

Corporate Calander

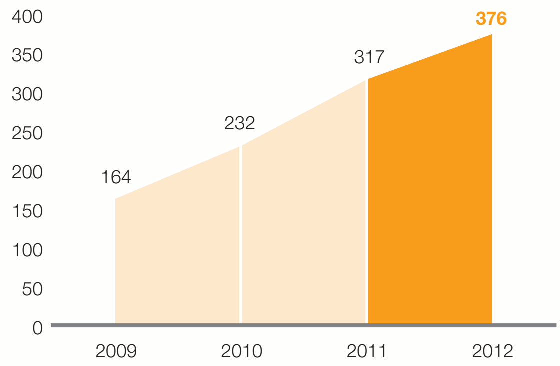
Annual General Meeting	30 April 2013

Financial Highlights

Turnover
(RMB million)

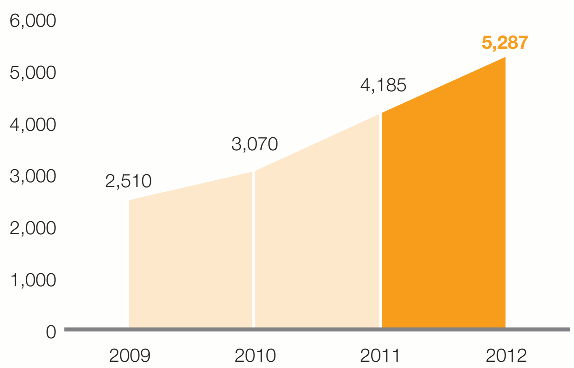


Profit for the year
(RMB million)

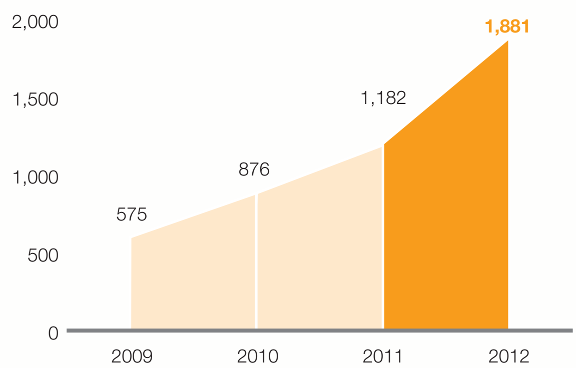


Total assets

(RMB million)



Equity attributable to owners of the Company
(RMB million)



Financial Highlights

	Year ended 31 December				
	2008 (Unaudited)	2009	2010	2011	**2012**
RESULTS (RMB'000)					
Group Revenue	2,790,228	2,994,966	3,686,366	4,929,876	**5,356,363**
Profit for the year	70,776	163,556	231,819	317,445	**376,120**
ASSETS AND LIABILITIES (RMB'000)					
Non-current assets	277,331	346,604	408,397	411,993	**559,597**
Current assets	2,533,428	2,163,324	2,661,182	3,773,360	**4,727,050**
Current liabilities	2,423,364	1,929,375	2,102,216	2,977,837	**3,373,271**
Non-current liabilities	1,802	5,933	91,630	25,505	**32,579**
FINANCIAL RATIOS					
Net margin (%)	2.5%	5.5%	6.3%	6.4%	**7.0%**
Current ratio (times)	1.05	1.12	1.27	1.27	**1.40**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents) (re-stated)	3.5	8.1	11.9	16.3	**16.3**
Net assets (HK$) (re-stated)	0.20	0.28	0.45	0.61	**0.81**

Chairman's Statement

Results

In 2012, China's economy slowed down. Having said that, the continuous strong demand to enhance and extend the electricity grid network together with the increase in electricity consumption bolstered market demand for wires and cables products. Our turnover reached RMB5,356.4 million, another record year representing an increase of 8.7% over last year. Our audited profit attributable to the owners of the Company for the year ended 31 December 2012 was RMB376.1 million, representing an increase of 18.5% over last year.

Final dividend

The Board recommended a final dividend of HK2.2 cents per share for the year ended 31 December 2012, which is subject to shareholders' approval in the forthcoming annual general meeting of the Company to be held on 30 April 2013.

Business Review

In 2012, the change of global economy has its complicated and profound influence worldwide. Countries are all facing new challenges as well as opportunities of reversing the economic decline. In early 2012, the global economy started with the on-going downturn from 2011 and finally ended with a dramatic falling after months of slow recovery. As a whole, 2012 economic recovery was full of difficulties. International agencies like the United Nations, the World Bank and the International Monetary Fund reduced the economic growth estimates several times within 2012. Following 2008 and 2009, 2012 became the third one having the lowest economic growth during the last 10 years. The serious employment issues and debt problems spread out in various countries and regions of the world owing to the continued stagnant of the economic development which at the same time resulted in the increase in trade disputes and drastic fluctuation in commodity prices. Weak demand of major economies combined with further liquidity released by developed economies, the international financial market was going through a seldom turmoil. Developed countries struggled in the downturn of economic growth while the emerging economies also cannot get rid of a general slowdown. Investment and consumption fatigued so that the decline in international trade, the conflict and protectionism has surfaced.

China's economic development grew beyond expectation negatively. The third-quarter GDP falling to 7.4% was lower than the government proposed target of 7.5%. According to the cumulative value in parallel quarterly GDP, the economic growth rate was all the way down to 7.4% of the third quarter in 2012 from 11.2% of the second quarter in 2010. As the average economic growth rate between 2001 and 2010 was 10.5%, China's current one has been significantly lower than the average level in the past decade. But when the unexpected downturn appeared in the second and third quarters in China, there was no sign of large-scale unemployment and deflation. The consumption continued to rise, with the significant growth of investment in infrastructure construction and adjustment of real estate policy enabled the economic growth to rebound after reaching the lowest value in September 2012. Considering the political factors such as the smooth staging of the 18th national congress of the central committee, and the sustained growth of consumption, China's economy returned to a recovery track in the fourth quarter of 2012.

Despite the adverse economic sentiment in 2012, the demand for wires and cables remained stable. This is due to the fact that wires and cables are widely used in multiple facets of the economy. They not only provide important support to various industries, national defense and significant construction projects, but also form the foundation for the functioning of modern economies and societies. China's increasing electricity consumption also supported a steady growth of the wire and cable industry in the past and for the future.

Chairman's Statement

The Group's power cables continued to be the Group's key revenue contributor (accounted for approximately 69.1% of total revenue in 2012 and 66.2% in 2011) and its gross profit margin improved from approximately 15.9% in 2011 to approximately 17.1% in 2012. This was attributed to the increase in sales of high-end products such as ultra-high voltage cables which had a higher gross profit margin than other power cable products.

1. Mainland China market

With the rapid growth of the PRC economy, the scale of wire and cable industry in China had ranked top in the globe in 2011 with the aggregate output of the industry reached RMB1.2 trillion. Hence, it became the country with the world's largest wire and cable output value.

The PRC and the government have been investing a huge amount in its power generation facilities, including the grid. Investment of RMB270.0 billion will be made to the ultra high voltage construction during the "Twelfth Five-year" period, which is more than 13 times of RMB20.0 billion made in the "Eleventh Five-year" period, forming the "three vertical, three horizontal and one ring grid". It is expected that the government will upgrade and transform the grid in rural area with an investment amount of RMB521.6 billion within five years to improve the standard and stability of the electricity supply in the rural areas.

The PRC government further invested in infrastructure. From January to May 2012, the National Development and Reform Commission of the PRC has reviewed and approved 1,271 projects, with the total investment amount reaching RMB224.0 billion. The number of projects being approved peaked in September 2012 at 147. Transportation construction projects worth more than RMB1 trillion were approved in September 2012, among which 25 were rail transit projects with an investment amount exceeding RMB840.0 billion. 75 projects in October 2012 and only 17 projects in November 2012 were passed respectively, and the number of projects being passed significantly increased to 94 in December 2012. The above projects involved key infrastructure constructions such as roads, railways, wind power, grid, transmission and transformation machinery etc.

In order to further implement the policies for Western China Development, the PRC government continued to support the infrastructure construction and the development of industries with special edges in Western China to improve the productivity and living conditions of the general public. China has launched 22 key construction projects for Western China Development in 2012 and the aggregate amount of investment was RMB577.8 billion.

The "Twelfth Five-year" plan outlines pointed out that there will be 36 million units of indemnificatory houses constructed in the PRC before 2015, as a result, the coverage rate of indemnificatory houses will be above 20%, which fundamentally solved the housing difficulties of the urban low-income households. In 2012, the construction of indemnificatory houses accelerated. Between January to October in 2012, construction of 7.22 million units were commenced under the national urban indemnificatory housing scheme and 5.05 million units were basically completed. The investment amount was RMB1,080.0 billion.

The PRC market remains the Group's key market. We continue to supply our wires and cables to many of the industry leaders in the PRC. Sales to the PRC market for the year increased by approximately 10.2% to RMB4,958.0 million as compared with 2011 and accounted for approximately 92.6% of total revenue. The increase was primarily due to increase in average selling price of power cables as a result of increase in sales of high-end products with higher selling price such as ultra-high voltage cables.

We also provided our products for many of China's important infrastructure projects that require stringent quality assurance for their power supply and transmission systems. Among which, we provided our products for the construction of the Ningtian Intercity Line Phase 1 (known as the "Nanjing Metro Line 11") in 2012, which is a key project of the "Twelve Five-year" plan and a major ancillary project of the Youth Olympic Games.

Our strong capabilities in product development are crucial to our success in the industry. We place great emphasis on our research and development capabilities, which the directors of the Company ("Directors") believe is crucial to keep us ahead of our competitors. As at 31 December 2012, we had 145 engineers and technicians working on research and development projects and took part in setting up 29 national and industry standards. We were in charge of 15 projects at provincial level or above, applied for 71 patents and obtained 37 high-tech products in Jiangsu Province.

In May 2012, 無錫江南電纜有限公司 (unofficial English translation for identification purpose only, Wuxi Jiangnan Cable Co., Ltd.) ("Jiangnan Cable"), a subsidiary of the Group, was awarded a Certificate of High Technologies Enterprise jointly by the Science and Technology Department of Jiangsu Province (江蘇省科學技術廳), Finance Department of Jiangsu Province (江蘇省財政廳), Jiangsu Province State Administration of Taxation (江蘇省國家税務局) and Jiangsu Province Local Taxation Bureau (江蘇省地方税務局), qualifying the entitlement to the reduced enterprise income tax at 15%.

We provide over 10,000 products tailored to meet our customers' diverse needs and help us to retain customer loyalty. Driven by increasing demand of our products from our existing and new customers, in 2012, we have increased our annual production capacity of power cables from 60,000 km to 68,000 km; wires and cables for electrical equipment from 540,000 km to 580,000 km and bare wires slightly increased to 79,500 km. Our economies of scale also allow us to have a lower cost base by spreading the fixed costs (i.e. research and development, licencing and certification, selling, general and administrative expenses) among a larger output volume.

2. Overseas market

Though China is by far our largest market (accounting for approximately 92.6% of our total turnover in 2012 and 91.3% in 2011), our products have also been exported to more than 50 countries and regions overseas.

For overseas markets, we recorded a slight decline in revenue of approximately RMB33.0 million as a result of a decrease in quantity ordered from the Group's major customer, Eskom Holdings Limited in the second half of 2012. Sales to South Africa dropped approximately 40.1% as a result of the slowing down of economic growth in South Africa (South Africa 2012 GDP growth expected a record low of 2.6% since 2009). The decrease in sales to South Africa was compensated by increase in sales to Power Works Pte Ltd of Singapore by approximately 4.9 times as compared to 2011.

Corporate governance

The Group will comply with the laws, regulations and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). With effective monitoring by the board of Directors ("Board"), and enhanced communication with the investment community, relevant information was released timely to enhance investors' knowledge and understanding about the Company and hence promoted the continual uplifting standard of corporate governance. The Company has adopted a code of corporate governance, containing the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (including those amendments which have come into effect on 1 January 2012 and 1 April 2012). The Directors will use their best endeavours to procure the Company to comply with such code of corporate governance and make disclosure of deviation from such code in accordance with the Listing Rules.

Chairman's Statement

Financial management

The Group's financial management, fund management and external financing have been managed and controlled at the headquarters. In line with its principles of prudent finance, as at 31 December 2012, the Group had bank balances of RMB1,137.7 million and had approximately RMB755.1 million pledged bank deposits. The Group had total borrowings of approximately RMB1,934.5 million, and the net debt to equity ratio improved from approximately 20.5% at 31 December 2011 to approximately 2.2% at 31 December 2012. The improvement was mainly due to the decrease in net debt and increase in equity as a result of the issue of shares of the Company under initial public offering in 2012. The Group had sufficient liquidity, and was in a sound financial position. The Group also had sufficient committed but unused banking facilities of approximately RMB1,349.5 million as at 31 December 2012 to meet the need of the Group's business development.

Initial Public Offering

On 20 April 2012, the Company completed an issue of 338.6 million new ordinary shares at HK$1.42 each by way of initial public offering and raised net proceeds of approximately RMB370.0 million.

Dividend

An interim dividend of HK3.8 cents per share (or restated as HK1.9 cents after taking into consideration of bonus issue) amounting to HK$58,446,800 (approximately RMB47,228,000) in aggregate was paid to the shareholders of the Company ("Shareholders") during the year.

The Board recommended a final dividend ("Final Dividend") of HK2.2 cents per share for the year ended 31 December 2012 (2011: nil) to the Shareholders which is subject to shareholders' approval in the forthcoming annual general meeting to be held on 30 April 2013 ("AGM").

Subject to the approval of the Shareholders at the AGM, it is expected that the Final Dividend will be paid on or around 7 June 2013 to the Shareholders whose names appear in the register of members of the Company on 10 May 2013.

Bonus Issue of Shares

On 15 November 2012, the Company issued 1,538,600,000 bonus shares on the basis of one new ordinary share of HK$0.01 for every one existing share held by the Shareholders whose names appeared in the register of members of the Company on 7 November 2012. The bonus shares had been credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares in the share premium account of the Company.

Business prospects

Market conditions

Although the slow growth of the world economy is inevitable, the wire and cable manufacturing industry in China is still in a growth phase, fundamentally driven by the continuous growth of the PRC's economy as well as the PRC's accelerating trends of industrialisation and urbanisation.

Chairman's Statement

The Group operates in the wire and cable industry, which is the second largest industry after motor industry, representing one-fourth of the production capacity of the PRC electrical engineering industry and is considered to be the "vascular" of the nation's economy. In recent years, as the Chinese economy keeps growing, the Chinese wire and cable industry also develops violently. At the end of the "Eleventh Five-year" the national production value of the wire and cable industry reached RMB500 billion, the scale of industry was among the top in the world, and the overall standard of the products has also reached an advanced level around the globe. During the "Twelfth Five-year" period, with the increase in capital investments in various sectors, the Group will capture more market opportunities to increase operating income.

Wire and cable industry faces the opportunity of the new model of smart grid construction and the urbanisation of rural area of the PRC. The State Grid Corporation of China (SGCC) and the China Southern Power Grid (CSG) announced transformation plan of the grid in rural area and investment budget during the "Twelfth Five-year" period, they decided to implement the new phrase of transformation and upgrade project for the grid in rural area. SGCC will arrange RMB410 billion on the transformation of the grid in rural area, and the proposed amount of investment made by the CSG will be RMB111.6 billion, the total amount will be RMB521.6 billion. Based on this scale, the investment amount of the new phrase of transformation and upgrade project for the grid in rural area for the coming three years will be more than RMB300 billion. As the transformation of grid in rural area goes further, wire and cable industry will enter into a new period of development. This will be a great opportunity and positive message for the electric wires and cables manufacturers and distributors which act as the major provider of the project for the grid in rural area; the Group had become the qualified supplier of "SGCC" and "CSG" after stringent examination.

Ultra high voltage grid network will be a vital investment direction of the PRC grid during the "Twelfth Five-year" period. According to the planning of the SGCC, in 2015, the "Three China" ultra high voltage grid network will be established in Northern China, Middle China and Eastern China, forming the "three vertical, three horizontal and one ring grid" network system. In the coming three years, the investment amount of ultra high voltage grid network can reach RMB270 billion, which is more than 13 times of the approximately RMB20 billion made in the "Eleventh Five-year" period. This will provide enormous room for the development of the wire and cable industry. Large scale enterprises which have better branding effect, production capacity and technical know how in the PRC and with absolute competitive advantage in the industry will directly benefit from it.

Business strategies

We will continue to develop our strength in the area of high-end products. In view of the potential growth of ultra high voltage cables, we have a production facility with an annual capacity of approximately 1,000 km at our Yixing production base for high and ultra high voltage cables with rated voltage of 220-500kV. In 2013, the additional 900 km production lines for ultra high voltage cables will commence production in December this year, resulting in the reduction in the operating costs of the Company and would be favourable to our further expansion in the market. It is expected that we will become one of the leaders in domestic high voltage cables in terms of our production and manufacturing capacity.

In 2012, we had improve our services to electric power companies such as Hubei Electric Power Company, Shandong Electric Power Corporation, which resulted in a substantial increase in their tender amount. Moreover, we won several tenders of key infrastructure projects including the expansion of Shenzhen Airport and the No. 7 line of the Beijing Metro Project.

Chairman's Statement

To meet the growing demand for aluminium alloy cables of the domestic and overseas customers, we have established a new subsidiary, Wuxi New Suneng Composite Material Co., Ltd. in the first half of 2012. The Company commenced to invest in and construct production lines for aluminium alloy rods and double capacity conductors, with estimated production capacity of 70,000 tonnes and 30,000 tonnes per annum respectively. These production lines have commenced their productions in January 2013.

We intend to speed up our strategic investments as well as our acquisition and reorganization plans through the 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.

Based on our successful marketing experience in South Africa, we plan to expand our sales to its neighbouring countries. In particular, in order to benefit from the growth in South Africa and its surrounding countries, it is expected that our power cables facility built in South Africa with an annual production capacity of approximately 10,000 km will commence its production in the first quarter of 2013.

We expect our annual operating income from overseas market in 2013 to 2015 will maintain its growth. We will focus on the emerging economy in our development of the overseas market, in which South Africa will be our major hub for expansion of international market. South Africa and Singapore will be the pathway leading us to the world . We will gradually explore markets including India, Russia and Vietnam. Our goal is to develop into an leading international wire and cable enterprise and become a world-class wire and cable manufacturer.

Fight for stellar performance

Maximising the shareholders' value has always been the development ideology of the Group. By capturing the forthcoming opportunities in economic recovery and the increase in infrastructure investments in China and emerging countries, it is expected that the Group will be benefited from it. The Group's aluminium alloy products and double capacity conductors factories have commenced production and will deliver new revenue stream to the Group. Also the new factories in South Africa will not only enhance the Group's production capacity but also strengthen the Group's presence in Africa. The Group will also expand strategically on its overseas sales by targeting potential emerging countries. In China, apart from maintaining the Group's ongoing growth as in the past, the Group will seek for new opportunities that can bring in new product offerings, new technology and/or new customers to the Group by means of strategic investment or acquisition. Through both organic and nonorganic growth, I have the confidence to continue to lead the Group to further enhance its market share and maintain the Group's leading position in the industry.

Appreciation

I would like to take this opportunity to express my gratitude to the Board for its brilliant leadership, to the Shareholders for their strong support, and to the community for their enthusiastic help, and last but not least, to our staff for their dedicated efforts.

Rui Fubin
Chairman, Chief Executive Officer and Executive Director

Management Discussion and Analysis

Overall performance

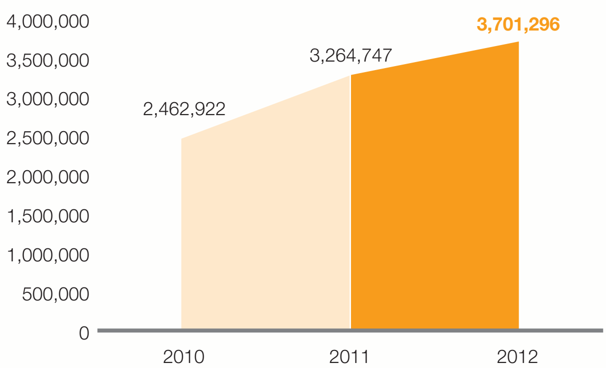
For the year ended 31 December 2012, the Group's revenue recorded RMB5,356.4 million, representing an increase of approximately 8.7% as compared with the same period in 2011 and profit for the year amounted to RMB376.1 million, representing an increase of approximately 18.5% as compare with the same period in 2011. The Group's gross profit margin for the year ended 31 December 2012 increased to approximately 15.7% (2011: 14.9%). Basic earnings per share for the year was RMB13.09 cents (2011: restated at RMB13.25 cents), representing a decrease of approximately 1.2%.

Turnover

Sales of power cables, our principal products, have recorded continuous growth with turnover of RMB3,701.3 million, and increase of 13.4% (2011 of RMB3,264.7 million) and, accounting for approximately 69.1% of our total turnover. The sales volume for power cables decreased from 48,103 km in 2011 to 46,866 km in 2012 or a decrease of approximately 2.6%. The average selling price of power cables increased from approximately RMB67,870 per km in 2011 to approximately RMB78,976 per km in 2012 which was mainly attributable to the increase in sales of high-end products such as high and ultra-high voltage cables.

Turnover of power cables

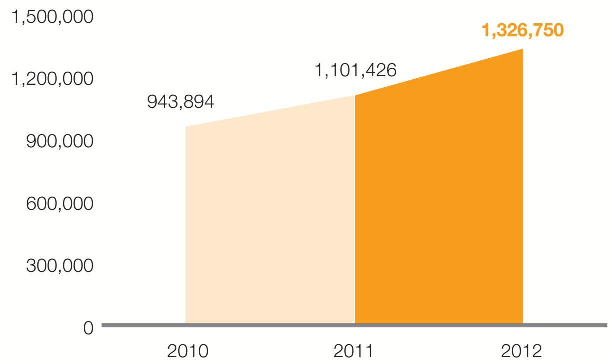
(RMB'000)



Sales of wires and cables for electrical equipment also recorded growth with turnover of RMB1,326.8 million, and increase of 20.5% (2011 of RMB1,101.4 million) and, accounting for approximately 24.8% of our total turnover. The sales volume for wires and cables for electrical equipment remained relatively stable and slightly increased from 461,243 km in 2011 to 550,246 km in 2012. The increase in sales volume of wires and cables for electrical equipment was mainly driven by the strong demand for building construction for indemnification housing during 2012. The average selling price of power cables also remained stable from RMB2,388 per km in 2011 to RMB2,411 per km in 2012.

Turnover of wires and cables for electrical equipment

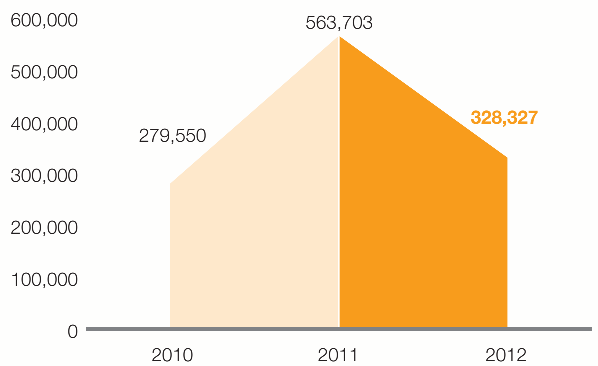
(RMB'000)



Sales of bare wires have recorded decline in turnover to RMB328.3 million in 2012, a decrease of 41.8% (2011 of RMB563.7 million) and, accounting for approximately 6.1% of our total turnover. The sales volume for bare wires decreased from 39,140 tonnes in 2011 to 18,810 tonnes in 2012, representing a decrease of approximately 51.9%. The decrease in demand for bear wires in 2012 was driven by the decrease in quantity order by our overseas customers partly due to the adverse global economy environment and partly due to delay in tendering process from one of our major customers.

Turnover of base wires

(RMB'000)



In view of the potential growth for the use of aluminum alloy rods and double capacity conductors, we have set up a new subsidiary Wuxi New Suneng Composite Materials Limited with initial investment sum of approximately RMB114.2 million for the construction of production lines with an estimated annual production capacity of 70,000 tones aluminum alloy rod and 30,000 tones double capacity wires (which use aluminum alloy as its metal raw material). These production lines have commenced commercial production in January 2013. The introduction of this new product will help to increase our turnover and improve our gross profit margin.

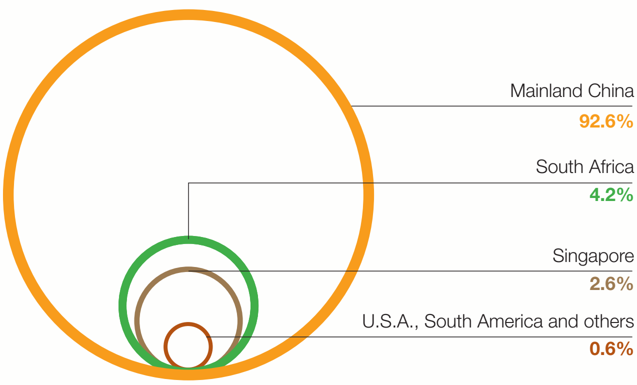
Management Discussion and Analysis

Revenue by geographical markets

The PRC remains the Group's key market. Sales to the PRC market increased by approximately 10.2% to RMB4,958.0 million and accounted for approximately 92.6% of total revenue, the increase was primarily due to increase in average selling price of power cables as a result of increase in sales of high-end products with higher selling price such as ultra-high voltage cables.

Overseas markets recorded a slight decline in revenue of approximately RMB33.0 million as a result of a decrease in quantity ordered from the Group's major customer, Eskom, in the second half of 2012. Sales to South Africa dropped approximately 40.1% as a result of the slowing down of economic growth in South Africa (South Africa 2012 GDP growth expected a record low of 2.6% since 2009). The decrease in sales to South Africa was compensated by increase in sales to Power Works Pte Ltd of Singapore by approximately 4.9 times as compared to 2011.

Geographical Combination 2012



Management Discussion and Analysis

Cost of goods sold

Cost of goods sold composes of cost of raw materials, production costs and direct labour costs. Cost of raw materials accounted for 96.3% of cost of goods sold in 2012, of which copper and aluminium are the major raw materials accounting for 80.5% of cost of goods sold in 2012. Direct labour costs remained stable and accounted for 1% of total cost of goods sold in 2012. The balance of 2.7% of the cost of goods sold in 2012 was attributable to production costs which mainly consists of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs.

Gross profit and gross profit margin

The gross profit increased by RMB107.5 million, or approximately 14.6%, from RMB734.9 million for the year ended 31 December 2011 to RMB842.4 million for the year ended 31 December 2012. Gross profit margin increased from approximately 14.9% for the year ended 31 December 2011 to approximately 15.7% for the year ended 31 December 2012. The increase in gross profit is in line with the increase in turnover.

Gross profit margin for power cables increased by approximately 1.2%, from approximately 15.9% for the year ended 31 December 2011 to approximately 17.1% for the year ended 31 December 2012 due to increase in sales of higher-margin products. Gross profit margin for wires and cables for electrical equipment also decreased by approximately 1.3%, from approximately 14.9% for the year ended 31 December 2011 to approximately 13.6% for the year ended 31 December 2012 due to the sale of a different product mix with lower profit margins. The gross profit margin for bare wires decreased slightly by approximately 0.2% from approximately 9.3% for the year ended 31 December 2011 to approximately 9.1% for the year ended 31 December 2012.

Profit for the year

Higher gross profit coupled with decrease in selling and distribution costs and administrative expenses were offset by the increase in finance costs, other expenses and other losses, resulting in profit for the year in 2012 increased by approximately 18.5 % from RMB317.4 million in 2011 to RMB376.1 million in 2012.

Selling and distribution costs

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

The selling and distribution costs decreased slightly by RMB9.3 million, or approximately 9.0%, from RMB103.4 million for the year ended 31 December 2011 to RMB94.1 million for the year ended 31 December 2012. The overall decrease in selling and distribution costs was mainly due to decrease in supply and marketing expenses as a result of shifting of the tendering process of State Grid Corporation of China from provincial to national level and the increasing awareness of the Group's brand. Transportation costs as percentage of turnover also decreased slightly from 1.1% in 2011 to 0.95% in 2012 as a result of economic of scale in products delivery.

Administrative expenses

Administrative expenses decreased by RMB10 million, or approximately 10.4%, from RMB96.0 million for the year ended 31 December 2011 to RMB86.0 million for the year ended 31 December 2012, mainly due to decrease in bank charges and entertainment expenses incurred during the year as a result of the Group's stronger bargaining power with banks and the tightening of its expenses control.

Other expenses

Other expenses increased by approximately 36.9% from RMB23.5 million for the year ended 31 December 2011 to RMB32.2 million for the year ended 31 December 2012, primarily due to increase in one-off expenses related to initial public offering which were incurred in 2012, the year in which the Company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Finance costs

Finance costs increased by RMB55.8 million, or approximately 44.2% from RMB126.4 million for the year ended 31 December 2011 to RMB182.2 million for the year ended 31 December 2012 mainly due to the increase in bank borrowings required for financing the business operations during the year. Average bank borrowings and bills financing for the year ended 31 December 2012 reached approximately RMB1,679 million and RMB1,047 million respectively.

Taxation

Our tax expense increased by RMB8.5 million, or approximately 12.0%, from RMB71.2 million for the year ended 31 December 2011 to RMB79.7 million for the year ended 31 December 2012. This increase in tax expense was mainly due to an increase in taxable income. The effective tax rate decreased from approximately 18.3% in 2011 to approximately 17.5% in 2012 which was due to decrease in deferred taxation by approximately RMB4 million in 2012.

Staff number and remuneration

Our remuneration policy is based on position, duties and performance of the employees. Our employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal cycle varies according to the positions of our employees. The performance appraisal of our senior management is conducted annually, that of our department head is conducted quarterly while that of our remaining staff will be conducted monthly. The performance appraisal is supervised by our performance management committee.

Management Discussion and Analysis

Following the listing of the Company on the Main Board of the Stock Exchange ("Listing"), the overall remuneration structure and process is expected to remain the same, except that the remuneration committee will perform such functions as set out in the paragraph headed "Remuneration Committee" in the Corporate Governance Report. As at 31 December 2012, we had 2,027 employees with 2,000 based in the PRC, 26 based in South Africa and 1 based in Hong Kong. A breakdown of employees by function as at the same date is as follows:

Department	Number of employees
Management and administration	138
Finance and accounting	42
Procurement	23
Production and quality assurance	1,537
Sales and marketing	287
Total	2,027

Notes:

1. Four independent non-executive Directors are not included because they are not our employees.

2. There are 145 engineers and technicians working on our research and development projects.

3. 60 professional quality management personnel are included in the production and quality assurance department.

4. Please refer to Note 11 to the Consolidated Financial Statements for the details of the remuneration of employees.

Earnings per share

For the year ended 31 December 2012, the basic earnings per share remained stable at HK16.3 cents (or RMB13.09 cents), as compared with HK16.3 cents (re-stated) (or RMB13.25 cents (re-stated)) for the year ended 31 December 2011. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB376.1 million (2011: RMB317.4 million) and on the weighted average number of 2,873,669,944 (2011: 2,395,357,898 (re-stated)) ordinary shares. The weighted average number of ordinary shares in 2011 for the purpose of basic earnings per share is determined based on the assumption that the Group Reorganisation and the capitalisation issue as disclosed in "Statutory and General Information" in Appendix V to the Company's prospectus dated 10 April 2012 ("Prospectus"), as if, have been completed on 1 January 2011. The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue of 1,538,600,000 shares on 15 November 2012.

No dilutive earnings per share are presented as there were no potential dilutive shares during 2011 and 2012.

Liquidity and financial resources

The management and control of the Group's financial, capital management and external financing functions are centralized. The Group has been adhering to the principle of financial management.

Management Discussion and Analysis

Financial position of the Group

1. Shareholders' Equity

The Group maintains a solid financial position, the Shareholders' equity reached RMB1,880.8 million as at 31 December 2012 from RMB1,182.0 million as at 31 December 2011, an increase of approximately 59.1%. This was mainly attributable to the issue of shares of the Company under initial public offering and the total comprehensive income generated in 2012.

2. Assets

As at 31 December 2012, total assets of the Group amounted to RMB5,286.6 million (31 December 2011: RMB4,185.4 million).

Non-current assets increased by approximately 35.8% from RMB412.0 million as at 31 December 2011 to RMB559.6 million as at 31 December 2012. The increase was mainly due to the construction of the new workshops for the production of aluminum alloy products in PRC and the setting up of new production lines in South Africa.

Current assets as at 31 December 2012 increased by approximately 25.3% from RMB3,773.4 million as at 31 December 2011 to RMB4,727.1 million mainly due to increase in cash and bank balances as at 31 December 2012 as a result of (a) collection of large amount of trade and other receivables towards the end of 2012; and (b) increase in unexpired bank borrowings during 2012.

As at 31 December 2012, the Group had bank balances and cash of RMB1,137.7 million (2011: RMB677.9 million). We also had pledged bank deposits of RMB755.1 million (2011: RMB482.2 million). Majority of bank balances and cash were in Renminbi ("RMB").

3. Borrowings

As at 31 December 2012, the total borrowings of the Group consist of RMB bank borrowings amounted to approximately RMB1,934.5 million (2011: RMB1,401.8 million), of which 100% was repayable within one year. As at 31 December 2012, the extent of fixed interest rate bank borrowings amounted to RMB553.6 million (2011: RMB649.0 million).

As at 31 December 2012, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balance and pledged bank deposits) of RMB41.7 million over total equity of RMB1,880.8 million, improved from approximately 20.5% as at 31 December 2011 to approximately 2.2% as at 31 December 2012. The increase was due to the reduction of net debt coupled with the increase in equity as a result of the issue of shares of the Company under initial public offering in 2012.

In addition, the Group had sufficient committed but unused banking facilities of approximately RMB1,349.5 million to meet the need of the Group's business development.

Certain bank borrowings of the Group are secured by certain of the Group's assets. The carrying values of property, plant and equipment, land use rights and inventories used to secure the bank borrowings as at 31 December 2012 were RMB96.8 million, RMB42.8 million and RMB434.1 million respectively. Please refer to Note 22 to the Consolidated Financial Statements for details of charges on Group assets. Borrowing costs capitalised during the year ended 31 December 2012 amounting to RMB11.7 million.

Of the Group's total bank borrowings, 100% of short-term borrowings were made by the Group's subsidiary, Wuxi Jiangnan Cable Co. Ltd. These loans were not guaranteed by the Company.

Management policies for financial risk

1. Interest rate risk

The Group's fair value and cash flow interest rate risk mainly related to fixed and variable rate borrowings respectively. In order to exercise prudent management against interest rate risk, the Group has established policies and procedures to the assessment, booking and monitoring all such financial risk. The Group will continue to review the market trend, as well as its business operation needs and its function position, so as to arrange the most effective interest risk management tools.

2. Credit risk

The carrying amounts of trade and other receivables, bills receivables and bank and cash balances including pledged bank deposits included in the consolidated statement of financial position represent the Group's exposure to credit risk in relation to its financial assets.

The Group's credit risk is primarily attributable to its trade and other receivables. The Group has policies in place to ensure that sales are made to customers with an appropriate credit assessment. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. At 31 December 2012, the five largest trade and bills receivables represent only approximately 9.5% (2011: 12.0%) of the total trade and bills receivables.

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

The Group's borrowings are mainly denominated in RMB and carry People's Bank of China plus rates. As its revenue is mainly denominated in RMB and major expenses are made either in RMB or HK Dollars, the Group faces relatively low currency risk.

3. Commodity risk

Since commodities such as copper and aluminium are one of the most important components of the Group's cost of goods sold, its financial results and condition are subject to the fluctuations in the prices of commodities. While the Group may be able to partially offset these fluctuations with a flexible pricing policy and a production cost locking mechanism, it is exposed to the risks of the fluctuations in the costs of these materials in the event that the Group fails to pass on such costs to its customers. The Group believes that its has successfully passed on most of the risk to its customers and as a result, the Group has been able to maintain its gross profit margin in the past.

4. Foreign currency risk

The Group had certain transactions that are denominated in foreign currencies, which make its results of operation susceptible to foreign currency risk. During the year ended 31 December 2012, sales denominated in currencies other than the functional currency of the group entity which it relates represented approximately 7% (2011: 8%) of our sales. As a result of sales to overseas markets including Singapore, the Group is exposed to currency fluctuations mainly in the US and Singapore dollars.

During the year ended 31 December 2012, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2012. The Group is not involved in any current material legal proceedings, nor is the Group aware of any pending or potential material legal proceedings involving the Group. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

Profile of Directors and Senior Management

Executive Directors

Mr. Rui Fubin (芮福彬), Chairman and chief executive officer

Mr. Rui Fubin, aged 64, was appointed as our Director on 4 January 2011, appointed as our Chairman and chief executive officer on 25 February 2012 and our executive Director on 20 April 2012. Mr. Rui is primarily responsible for the formulation of our development strategies and supervision of our overall business and operation management. Mr. Rui has over 25 years of experience in the wire and cable industry in the PRC. Since March 2004, Mr. Rui has been the chairman of Jiangnan Cable and been responsible for overall management of production, operation, sales and administration matters in the Company. From August 1997 to February 2004, he was the chairman of 無錫市江南線纜有限公司 (unofficial English translation for identification purpose only, Wuxi Jiangnan Wire and Cable Co., Ltd.) ("Wuxi Jiangnan"). He has been a director of Extra Fame Group Limited ("Extra Fame") since December 2005, a director of Jiangnan Cable (HK) since December 2010 and a director of Jiangnan Cable and Power Heritage Group Limited ("Power Heritage") since February 2004. From May 1994 to October 1998, he was the deputy mayor of Guanlin Town People's Government of Yixing City. From January 1989 to January 1995, Mr. Rui was the factory director of Wuxi City Jiangnan Cable Factory and played a role in the overall management of the factory. From January 1982 to December 1988, Mr. Rui was the director of Yixing City Guanlin Society Welfare Factory, a company partially engaged in the production and sales of wire and cable. Mr. Rui completed two-year's adult education in the Nanjing University of Finance and Economics (formerly known as Jiangsu Cadre's Institute of Economic and Management) on a part-time basis in May 1992, majoring in industrial economic management. Mr. Rui was qualified as a senior economist by the Jiangsu Province Personnel Department in November 2007.

Mr. Rui has obtained several awards, including China Outstanding Entrepreneur by the China Enterprise Culture Improvement Association, The Fifth China Township Entrepreneur Award by the Ministry of Agriculture of PRC and Top Ten Headline Figures of China Economy by the Economic Daily in 2004. Mr. Rui is the father of our executive Director and general manager (marketing and sales), Mr. Rui Yiping. Mr. Rui is the uncle of the spouse of Mr. Jiang Yongwei, our executive Director and vice president. Mr. Rui Fubin is a director of Power Heritage, a shareholder of the Company which has an interest in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong.

Mr. Rui Yiping (芮一平), general manager (marketing and sales)

Mr. Rui Yiping, aged 33, was appointed as our Director on 4 January 2011, appointed as our general manager (marketing and sales) on 25 February 2012 and our executive Director on 20 April 2012. Mr. Rui is responsible for our sales operation. He has over 12 years of experience in wire and cable industry in the PRC. Since March 2004, Mr. Rui has been the director of Jiangnan Cable. Mr. Rui joined Wuxi Jiangnan as a sales manager in January 2000 and he then held various positions including vice general manager, director, president and deputy chairman from 2002 to 2010. During this tenure, Mr. Rui was responsible for sales and daily management of the Company and gained rich experience in the electrical wire and cable industry. He has been a director of Extra Fame since March 2006, a director of SA Asia Cable (Proprietary) Limited ("SA Asia Cable") since June 2005, a director Jiangnan Cable (HK) Limited ("Jiangnan Cable (HK)") since December 2010 and a director of Jiangnan Cable and Power Heritage since February 2004. Mr. Rui graduated from the China Central Radio & Television University with an associate degree in law on a part-time basis in July 2006. He was qualified as a senior economist by the Jiangsu Province Personnel Department in November 2005. Mr. Rui was named as a China Outstanding Entrepreneur by the International Enterprise Development China Promotion Committee and China Excellent Enterprise Network in 2006. Mr. Rui Yiping is the son of Mr. Rui Fubin, our Chairman, executive Director and chief executive officer, and a cousin of the spouse of Mr. Jiang Yongwei, our executive Director and vice president. Mr. Rui Yiping is a director of Power Heritage, a shareholder of the Company which has an interest in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Profile of Directors and Senior Management

Ms. Xia Yafang (夏亞芳), executive vice president

Ms. Xia Yafang, aged 40, was appointed as our Director on 26 January 2011, appointed as our executive vice president on 25 February 2012 and our executive Director on 20 April 2012. She joined us in 2004. Ms. Xia is in charge of our overall day to day operations. She was appointed as chief engineer of Jiangnan Cable in August 2011. Ms. Xia has nearly 20 years of experience in the wire and cable industry in the PRC. From April 2001 to January 2004, she was a director of technology department and vice general manager of Wuxi Jiangnan. From March 1996 to March 2001, Ms. Xia was the engineer for cable research technology and the director of crosslinked cable factory of Wuxi Far East Cable Factory. During this tenure, Ms. Xia was in charge of production and daily operations of the factory. From July 1992 to February 1996, Ms. Xia worked at Wuxi City Jiangnan Cable Factory as a technician. Ms. Xia graduated from Nanjing Jinling Institute of Technology (formerly known as Nanjing Polytechnic University) with an associate degree in mechanical and electrical engineering in July 1992. Ms. Xia was qualified as a senior economist in November 2005 and senior engineer in September 2007, both by the Jiangsu Province Personnel Department. Ms. Xia is the spouse of Mr. Han Wei, our vice general manager.

Mr. Jiang Yongwei (蔣永衛), vice president

Mr. Jiang Yongwei, aged 46, was appointed as our vice president and our Director on 25 February 2012 and our executive Director on 20 April 2012. Mr. Jiang joined us in February 2004. He is the head of our production department responsible for our production management. He has over 20 years of experience in the wire and cable industry in the PRC. Mr. Jiang has been a director of Jiangnan Cable since February 2004. Mr. Jiang served as vice general manager of Wuxi Jiangnan from August 1997 to February 2004 and was responsible for overall production. From January 1990 to July 1997, Mr. Jiang was a director of infrastructure department of Wuxi Jiangnan. Mr. Jiang graduated from Southeast University with a master's degree in business administration in July 2004. Mr. Jiang was qualified as a senior economist in November 2005 by the Jiangsu Province Personnel Department. The spouse of Mr. Jiang Yongwei is the niece of Mr. Rui Fubin, our Chairman, executive Director and chief executive officer, and his spouse is a cousin of Mr. Rui Yiping, our executive Director and general manager (marketing and sales).

Mr. Hao Minghui (郝名輝), general manager of Wuxi New Suneng Composite Material Co., Ltd.

Mr. Hao Minghui, aged 56, was appointed as our executive Director on 1 December 2012. Mr. Hao is responsible for the overall management of Wuxi New Suneng Composite Material Co., Ltd., a wholly-owned subsidiary of the Group. He has over 20 years of experience in the wire and cable industry in the PRC. Mr. Hao completed the advanced study of a business management course offered by the Business Management Research Centre of the Renmin University of China in August 2002. In December 2003, Mr. Hao was accredited as a senior member of the Chinese Enterprise Operation and Management Talent Bank by National Talent Service Centre under the Ministry of Human Resources. Mr. Hao has also obtained the qualification certificate of international professional manager issued by the China International Professional Manager Association and China International Talent Development Centre.

Independent non-executive Directors

Mr. He Zhisong (何植松)

Mr. He Zhisong, aged 43, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. He is a partner of Grandway Law Offices. From July 1996 to February 2002, he worked for the Justice Bureau of Zhuhai, Guangdong. From November 1994 to July 1996, he was a partner of Zhuhai Sanlian Law Firm. From July 1992 to November 1994, Mr. He worked in the government of the Jinwan (formerly known as Sanzao) district of Zhuhai. Mr. He obtained a bachelor's degree and a master's degree in law from Southwest University of Political Science and Law and Renmin University of China in July 1992 and July 1999, respectively.

Profile of Directors and Senior Management

Mr. Wu Changshun (吳長順)

Mr. Wu Changshun, aged 52, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. Wu has worked at the Shanghai Cable Research Institute since April 1988 and held various positions, including vice head and vice chief engineer. He has also been an independent director of Jiangsu Yuanyang Dongze Cable Co., Ltd. since 21 November 2009. Mr. Wu is currently a member of Sub-special Committee of High Voltage Testing of the Chinese Society of Electrical Engineering High Voltage Special Committee, a member of National Standardization Technical Committee of Electrical Accessories, a member of National Standardization Technical Committee of Wire and Cable, a member of Shanghai Electrical Insulation and Thermal Aging Key Laboratory Academic Committee and a member of Wire and Cable Engineering Research Centre Committee of Jiangsu Province. Mr. Wu obtained a bachelor's degree in engineering in July 1985 and a master's degree in engineering in April 1988, from Xi'an Jiaotong University, respectively. Mr. Wu was accredited as a senior engineer (professor level) by the Shanghai Project Series Industrial Production Senior Engineer (Lecturer Level) Qualification Jury in July 2005.

Mr. Yang Rongkai (楊榮凱)

Mr. Yang Rongkai, aged 53, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. Yang has served as the head of the Electric Equipment Inspection and Test Centre Cable Quality Inspection Station of State Grid Electric Science Research Institute (formerly known as Wuhan High Voltage Research Institute, which was then renamed as "State Grid Wuhan High Voltage Research Institute" in 2007 and was subsequently merged with State Grid Nanjing Automation Research Institute and named as State Grid Electric Science Research Institute in 2008 (hereinafter called "Electric Science Research Institute")) since July 2008. Mr. Yang has been a member of the Preparatory Team for the Cable Group of the State Grid Electric Power Research Institute since April 2011 and is currently a member of the Preparatory Team for the Cable Group of the State Grid Electronics Research Institute. He was the deputy chief of the Cable Technology Research Institute and the deputy head of the Cable Quality Inspection Station of Electric Science Research Institute from January 2007 to July 2008. From December 2005 to December 2006, he was the chief engineer of Cable Technology Research Centre and the deputy head of the Cable Quality Inspection Station of Electric Science Research Institute. During October 1985 to December 2006, Mr. Yang held various positions in Electric Science Research Institute, including engineer, senior engineer, and is now the deputy chief of the Cable Quality Inspection Station. He was appointed as the deputy secretary general at the Electricity Industry Electricity and Cable Standardisation Technology Committee in June 2001. Mr. Yang graduated from the China Electric Power Research Institute with a master's degree in engineering in December 1985. Mr. Yang was qualified as a senior engineer by the Department of Electric Power of Electric Science Research Institute in December 1992.

Profile of Directors and Senior Management

Mr. Poon Yick Pang Philip (潘翼鵬)

Mr. Poon Yick Pang Philip, aged 43, was appointed as our Director on 25 February 2012 and appointed as our independent non-executive Director on 1 March 2012. Mr. Poon has over 18 years of experience in corporate finance and accounting. Mr. Poon joined Real Nutriceutical Group Limited (stock code: 2010), a company listed on the Main Board of the Stock Exchange in June 2008 as the chief financial officer and company secretary. Mr. Poon has been serving as an independent non-executive director of Infinity Chemical Holdings Company Limited (stock code: 640) since March 2010, a company listed on the Main Board of the Stock Exchange. Mr. Poon has become an independent non-executive director of Trigiant Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1300), with effect from 23 August 2011. From 2007 to 2008, he was the director of finance of China Medical Technologies, Inc., a NASDAQ listed company engaged in the manufacture and sale of advanced medical devices in China. From 2002 to 2007, he worked as the senior vice president, qualified accountant and company secretary of Paradise Entertainment Limited (stock code: 1180), a company listed on the Main Board of the Stock Exchange. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, and in major listed companies in Hong Kong, including Lenovo Group Limited (stock code: 992), a company listed on the Main Board of the Stock Exchange, and Sun Hung Kai Properties Limited (stock code: 16), a company listed on the Main Board of the Stock Exchange. Mr. Poon obtained a bachelor's degree in commerce from the University of New South Wales in April 1993 and is a holder of a chartered financial analyst charter of the CFA Institute, a certified practising accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

Committees

There are four Board committees. The table below provides membership information of these committees on which each Board member serves:

Board committee Director	Audit committee	Remuneration committee	Nomination committee	Corporate governance committee
Rui Fubin				C
Rui Yiping		M	M	M
Jiang Yongwei				M
Hao Minghui				M
He Zhisong	M	M	M	
Wu Changshun	M	C	C	
Yang Rongkai	M	M	M	
Poon Yick Pang Philip	C	M	M	

Notes:

C: Chairman of the relevant Board committees

M: Member of the relevant Board committees

Profile of Directors and Senior Management

Senior Management

Mr. Rui Fengming (芮鳳鳴), aged 59, is our vice general manager. Mr. Rui joined us in February 2004 and has been the executive vice general manager of Jiangnan Cable. Mr. Rui is responsible for our sales and marketing. Mr. Rui also served as director and deputy manager of Wuxi Jiangnan from August 1997 to May 2010, in charge of sales of wire and cable products. From July 1986 to July 1997, Mr. Rui worked at Wuxi City Jiangnan Cable Factory and was responsible for sales of wire and cable in the factory. From July 1973 to June 1986, he was a technician of the Yixing Guanlin Food Station, being responsible for sales. Mr. Rui graduated from Jiangsu Yixing Guanlin High School in July 1973. Mr. Rui Fengming does not have any relationship with our Directors.

Mr. Han Wei (韓偉), aged 44, is our vice general manager in charge of sales. Mr. Han joined us in February 2004. From January 2001 to January 2004, Mr. Han worked in Wuxi Jiangnan and was a vice general manager. During this tenure, he was responsible for sales of wire and cable. From January 1996 to December 2000, he was the director of Wuxi Far East Cable Factory (Rubber Branch) and was in charge of production and daily management. From July 1992 to December 1995, Mr. Han worked at Wuxi City Jiangnan Cable Factory and held various positions, including deputy head of equipment procurement department and deputy head of rubber and cable workshop. Mr. Han graduated from Nanjing Jinling College of Technology (formerly known as Nanjing Jinling Vocational College) with an associate's degree in mechanical and electrical engineering in July 1992. Mr. Han was qualified as a senior economist in November 2005 and senior engineer in September 2009, both by the Jiangsu Province Personnel Department. Mr. Han is the spouse of Ms. Xia Yafang, our executive Director and executive vice president.

Mr. Chan Man Kiu (陳文喬), aged 51, is our chief financial officer and company secretary. Mr. Chan joined us in January 2011. Mr. Chan has over 26 years of experience in the field of finance and operations. Since 2004, Mr. Chan has served as an independent non-executive director in Ming Fung Jewellery Group Limited (stock code: 860), a company listed on the Main Board of the Stock Exchange. From June 2007 to December 2010, Mr. Chan served as deputy chief operating officer in Xinhua Sports and Entertainment Limited. From March 2001 to May 2007, Mr. Chan was the finance director and managing director in business development of Xinhua Finance Limited. From January 1990 to February 2001, he held different managerial roles in Jardine Fleming. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan obtained his Professional Diploma in Accountancy from the Hong Kong Polytechnic in November 1984 and EMBA from the City University of Hong Kong in November 2003.

Mr. Qiu Tianhua (仇田華), aged 57, is our vice general manager. Mr. Qiu joined us in February 2004. He is responsible for accounting and financial matters of Jiangnan Cable. From August 1997 to January 2004, Mr. Qiu served Wuxi Jiangnan as director of the financial department. From January 1992 to July 1997, Mr. Qiu was a senior accountant of Wuxi Jiangnan Cable Factory. From January 1990 to December 1991, Mr. Qiu was an accountant in Yixing Guanlin Town Industry Corporation. From January 1983 to December 1989, he worked in Yixing Guanlin Guest Hotel as a senior accountant. Mr. Qiu was qualified as an associate certified public accountant by Wuxi Personnel Bureau in August 1997. Mr. Qiu graduated from Yixing Guanlin High School in July 1974.

Corporate Governance Report

Corporate governance practices

The board of directors (the "Board") of the Company recognizes that good corporate governance is fundamental to the smooth and effective operation of the Group and enhances the Shareholders' value. The Board is always committed to maintain a good corporate governance practice and procedures.

Prior to 20 April 2012 ("Listing Date"), the date on which the shares of the Company was first listed on the Main Board of the Stock Exchange, the Company has adopted a code of corporate governance, containing the code provisions ("GC Code") of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and had during the period from the Listing Date to 31 December 2012 ("Relevant Period") complied with the GC Code except for the following deviations:

Pursuant to code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the role between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer, with Mr. Rui Fubin currently performing these two roles. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. The current arrangement will enable the Company to make and implement decisions promptly and efficiently.

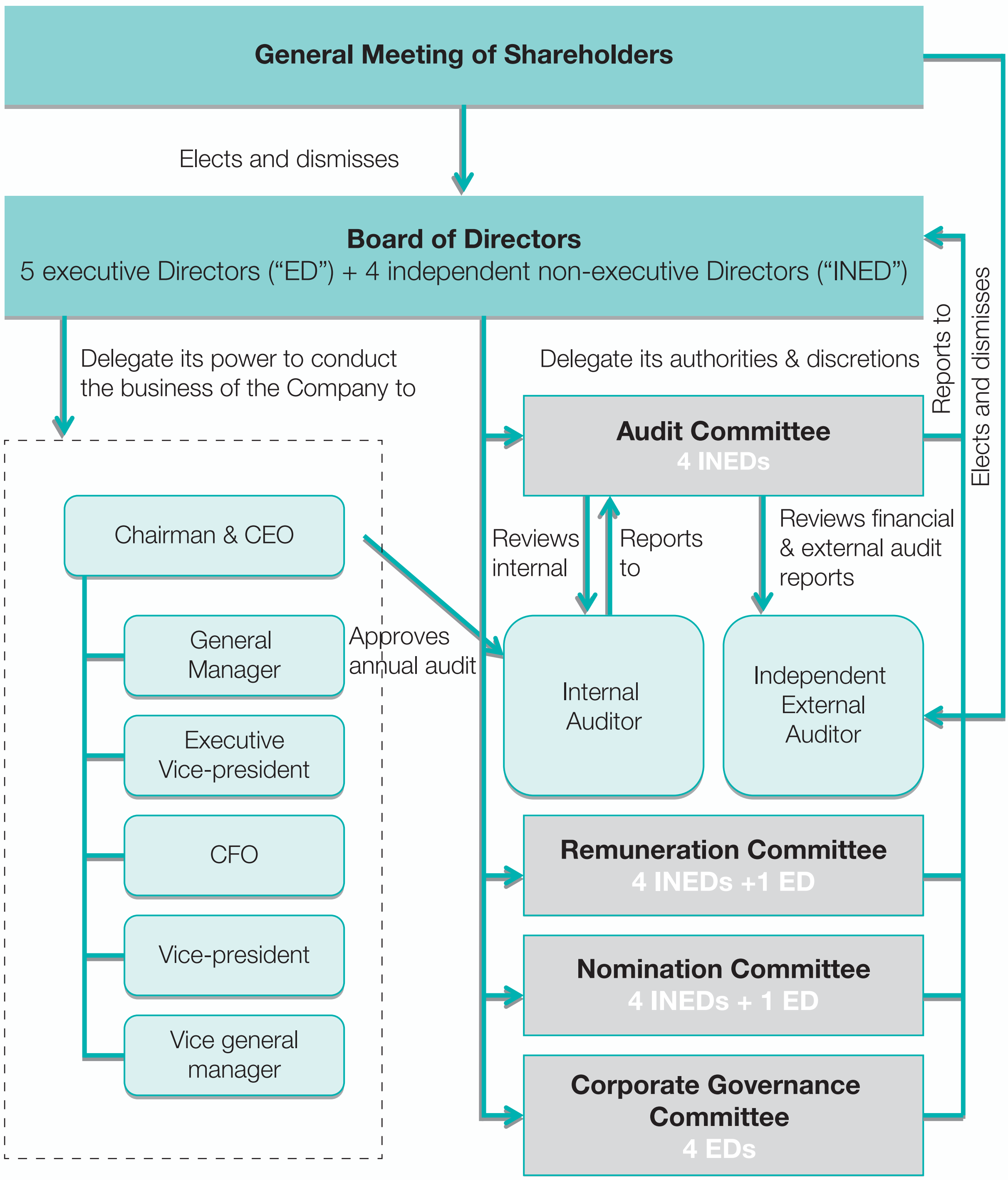
Pursuant to code provision A.6.7 as set out in Appendix 14 to the Listing Rules, independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. Due to other business engagements, all independent non-executive Directors were unable to attend the Company's extraordinary general meeting held on 31 October 2012.

Model code for securities transactions by directors

The Company has adopted a code on securities transaction by Directors which is no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct of dealings in securities of the Company by Directors. Upon specific enquiries of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the Relevant Period.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company.

Corporate governance structure



Corporate Governance Report

Board of directors

Board composition

The composition of the Board is set out in the section "Directors and Senior Management" above.

Other than the independent non-executive Directors, all executive Directors are appointed on a full-time basis and have sufficient time to deal with the affairs of the Company. All Directors are required to comply their responsibilities as Directors and their common law duty as directors. More than one-third of the Board is independent non-executive Directors.

The independent non-executive Directors possess appropriate professional qualifications and experience or appropriate accounting or relevant financial management expertise. All independent non-executive Directors have submitted annual confirmations of their independence to the Board pursuant to Rule 3.13 of the Listing Rules. Based on such confirmation, the Board considers all independent non-executive Directors to be independent.

Board responsibilities and delegation

The Board collectively determines the overall strategies of the Company, monitors its performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day-to-day management of the Company is delegated to the executive Directors or the officer in charge of each division and function, who is required to report back to the Board. Functions reserved to the Board and those delegated to management are reviewed periodically. All Board members have separate and independent access to the senior management, and are provided with full and timely information about the conduct of the business and development of the Company. Should separate independent professional advice be considered necessary by the Directors or any Board committee, independent professional services would be made available to the Directors or such Board committee upon request.

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including the circumstances under which the management should report back, and reviews the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Board meetings and attendance

The Board meets regularly to review the financial and operating performance of the Company and to discuss future strategy. Three Board meetings were held during the Relevant Period. At the Board meetings held during the Relevant Period, the Board reviewed significant matters including the Company's annual and interim financial statements, proposals for final and interim dividends, annual report and half-year report. At least 14 days' notice was given to all Directors for all regular Board meetings and all Directors were given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting were sent to all Directors at least 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the Company Secretary and are available to all Directors for inspection.

Three Board meetings and two general meetings ("General Meetings") were held during the Relevant Period. The attendance record of each director at Board meetings and the General Meetings during the Relevant Period is set out below:

Directors	Attendance at Board meetings	Attendance at General Meetings
Executive Directors		
Mr. Rui Fubin *(Chairman)*	3	2
Mr. Rui Yiping	3	1
Ms. Xia Yafang	3	2
Mr. Jiang Yongwei	3	1
Mr. Hao Minghui (Note: Mr. Hao Minghui was appointed on 1 December 2012. The three Board meetings and the two General Meetings were held before his appointment)	0	0
Independent Non-executive Directors		
Mr. He Zhisong	3	1
Mr. Wu Changshun	2	1
Mr. Yang Rongkai	3	1
Mr. Poon Yick Pang Philip	3	1

Directors' continuing professional development programme

All Directors are encouraged to and had confirmed that they had complied with the Code Provision A.6.5 of the GC Code during the Relevant Period, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on Listing Rules for Directors in the form of seminar and provision of training materials. Each Director had attended such seminar. The training covered disciplinary matters on breach of the Listing Rules and requirements on disclosure of inside information under the Listing Rules.

Non-executive directors

The non-executive Directors are appointed on a term of three years commencing on 1 March 2012. Pursuant to the articles of association of the Company, all Directors (including non-executive Directors) appointed by the Board shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board), and shall be eligible for re-election at that meeting. All Directors shall be subject to retirement by rotation at least once every three years and the retiring Director shall be eligible for re-election.

Board committees

The Board has established a number of committees to discharge the Board functions. Sufficient resources are provided to enable the Board committees to undertake their specific roles. The respective roles, responsibilities and activities of each Board committee are set out below:

Remuneration committee

On 25 February 2012, the Company established a remuneration committee ("Remuneration Committee") which has written term of reference as suggested under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The main functions of the Remuneration Committee include: (i) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve management's remuneration proposal with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration of the non-executive Directors; and (iv) to review and approve compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with relevant contracted terms and are otherwise reasonable and appropriate. The written terms of reference for the Remuneration Committee are posted on the Company's and the Stock Exchange's website.

During the Relevant Period, one Remuneration Committee meeting was held; and the Remuneration Committee had reviewed the Company's policy and structure for all remuneration of the Directors and senior management of the Group. The Remuneration Committee recommended the Company to continue to adopt the policy in 2013.

Membership and Attendance	
Members	**Attendance**
Executive Director	
Mr. Rui Yiping	1
Independent Non-executive Directors	
Mr. Wu Changshun *(Chairman of the Remuneration Committee)*	1
Mr. He Zhisong	1
Mr. Yang Rongkai	1
Mr. Poon Yick Pang, Philip	1

Nomination committee

On 25 February 2012, the Company established a nomination committee ("Nomination Committee") which has written terms of reference as suggested under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The main objectives of the Nomination Committee are to implement a formal, transparent and objective procedure for appointing Board members and evaluating each Board member's performance and to provide clear disclosure of the Company's policies on nomination and evaluation of Board members in its annual report. Its primary functions include: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to make recommendations to the Board on the appointment or re-appointment of the Directors and succession planning for the Directors, in particular, the chairman and the chief executive; (iii) to assess the independence of the independent non-executive Directors; and (iv) to keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring continued ability of the Company to compete effectively in the marketplace. The written terms of reference for the Nomination Committee are posted on the Company's and the Stock Exchange's website.

During the Relevant Period, two Nomination Committee meetings were held; and the Nomination Committee had reviewed the composition and structure of the Board as at 30 June 2012 and recommended to the Board to continue to retain the existing board members in the Board. During the Relevant Period, the Nomination Committee recommended to the Board to appoint Mr. Hao as an Executive Director.

Membership and Attendance	
Members	**Attendance**
Executive Director	
Mr. Rui Yiping	2
Independent Non-executive Directors	
Mr. Wu Changshun *(Chairman of the Nomination Committee)*	1
Mr. He Zhisong	2
Mr. Yang Rongkai	2
Mr. Poon Yick Pang, Philip	2

Audit committee

On 25 February 2012, the Company established an audit committee ("Audit Committee") that has written terms of reference as suggested under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The main objective of the Audit Committee is to assist the Board in fulfilling its fiduciary responsibilities to the Company and each of its subsidiaries to act in the interest of the Shareholders as a whole. Its primary duties include: (i) to consider and make recommendation to the Board on the appointment, reappointment and removal of the Company's external auditor; (ii) to approve the remuneration and terms of engagement of the Company's external auditor and any questions of its resignation or dismissal; (iii) to review the Company's financial controls, internal control and risk management systems; (iv) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them; and (v) to review and monitor the Company's external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards. The written terms of reference for the Audit Committee are posted on the Company's and the Stock Exchange's website.

During the Relevant Period, three Audit Committee meetings were held. The Audit Committee had reviewed the Company's accounts and half-year report as at 30 June 2012 and recommended to the Board to adopt, approve and disclose the same in the half-year report. The Audit Committee had also reviewed and agreed with the audit plan proposed by the Company's independent auditor Deloitte Touche Tohmatsu.

Membership and Attendance Members	Attendance
Independent Non-executive Directors	
Mr. Poon Yick Pang, Philip *(Chairman of the Audit Committee)*	3
Mr. Wu Changshun	2
Mr. He Zhisong	3
Mr. Yang Rongkai	3

Corporate governance committee

On 25 February 2012, the Company established a corporate governance committee ("Corporate Governance Committee") which has written terms of reference as suggested under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The main functions of the Corporate Governance Committee include: (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of directors and senior management of the Group; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Group. The terms of reference of the Corporate Governance Committee are posted on the Company's and the Stock Exchange's website.

During the Relevant Period, one Corporate Governance Committee meeting was held. The Corporate Governance Committee had reviewed the Company's status of compliance with the Appendix 14 to the Listing Rules on Corporate Governance Code and Corporate Governance Report. The Corporate Governance Committee reviewed and approved the disclosure in the annual report regarding the derivation from the code provisions A.2.1 and A.6.7 of the GC Code as set out in Appendix 14 to the Listing Rules.

Membership and Attendance Members	Attendance
Executive Directors	
Mr. Rui Fubin *(Chairman of the Corporate Governance Committee)*	1
Mr. Rui Yiping	1
Mr. Jiang Yongwei	1
Mr. Hao Minghui	1

Accountability and audit

Financial reporting

The Board recognises the importance of integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Group's affairs and its results and cash flows in accordance with Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance. In the Listing Rules presenting the financial information, as well as inside information and other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to Shareholders and other stakeholders a balanced and understandable assessment of the Company's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the Audit Committee for review.

The responsibilities of Deloitte Touche Tohmatsu, Certified Public Accountants, the external auditor of the Company ("Auditor"), are stated in the Independent Auditor's Report of the Company's 2012 Annual Report.

External auditor's remuneration

The fees in relation to the audit service provided by Deloitte Touche Tohmatsu, the Auditor, for the year ended 31 December 2012 amounted to HK$1,800,000 (2011: N/A)

Internal control

The Board has overall responsibility for the effectiveness of the internal control system and monitors the internal control systems through the internal audit department of the Group. The Board has conducted a review of the effectiveness of the internal control of the Group. The internal audit department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective. The Board also reviews regularly the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

An independent consulting firm was engaged by the Company to perform a follow-up assessment of internal controls and in particular over the procedure for bill financing management covering the period from 1 November 2011 to 31 December 2012. The fees in relation to the non-audit services provided by the independent consulting firm for the year ended 31 December 2012 amounted to HK$252,000 (2011: HK$740,000).

Shareholders' rights

Putting forward proposals at a general meeting

There are no provisions allowing Shareholders to put forward proposals at the general meeting under the memorandum and articles of association of the Company or under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands. Shareholders may follow the procedures set out below to convene an extraordinary general meeting ("EGM") for any business specified in such written requisition.

Procedure for Shareholders convene an EGM

Pursuant to the articles of associations of the Company, any one or more Shareholders holding not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("Eligible Shareholder(s)") shall at all time have the right, by a written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

Eligible Shareholders who wish to require an EGM to be called by the Board must deposit a written requisition ("Requisition") signed by the Eligible Shareholder(s) concerned to the principal office of the Company in Hong Kong, for the attention of the Board or the Company Secretary.

The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM and signed by the Eligible Shareholder(s) concerned.

If within 21 days of the deposit of the Requisition, the Board has failed to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the memorandum and articles of association of the Company, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned by the Company.

Shareholders' enquiries

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

The Company Secretary
Jiangnan Group Limited
Unit 22, 15/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong
Email: joseph.chan@jncable.com.cn
Tel No.: +852 3998 3093
Fax No.: +852 3998 3094

The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant Board committees, where appropriate, to answer the Shareholders' questions.

Investor relations and communication

The management of the Company believes that effective and proper investor relations play a vital role in creating Shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate, complete and timely disclosure of relevant information pursuant to requirements of relevant laws and regulations and to ensure all Shareholders have equal access to information of the Company. In addition, since its listing on 20 April 2012, the Company has proactively taken the have following measures to ensure effective Shareholders' communication and transparency:

- maintain contacts with Shareholders and investors through various channels such as meetings, telephone and emails;
- from time to time update the Company's news and developments through the investor relations section of the Company's website: http://www.jiangnangroup.com and the Stock Exchange of Hong Kong website www.hkexnews.hk;
- arrange on-site visits to the Group's projects for investors and research analysts.

Information disclosure

The Company discloses information and publishes periodic reports and announcements to the public in accordance with the Listing Rules, the relevant laws and regulations. The primary focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete, thereby enabling Shareholders, investors as well as the public to make rational and informed decisions.

Constitutional documents

During the financial year ended 31 December 2012, there is no change in the Company's constitutional documents.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

Principal activities

The Company acts as an investment holding company and its subsidiaries now comprising the Group are principally engaged in manufacture of and trading in wires and cables for power transmission, distribution systems and electrical equipment. The activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 45 and the state of affairs of the Group as at 31 December 2012 are set out in the consolidated statement of financial position on page 46.

An interim dividend of HK3.8 cents per share (or restated as HK1.9 cents after taking into consideration of bonus issue) amounting to HK$58,446,800 (approximately RMB47,228,000) in aggregate was paid to the Shareholders whose names appeared on the register of members of the Company on 21 September 2012 during the year ended 31 December 2012.

Subsequent to the end of the reporting period, the board of directors ("Board") recommended a final dividend ("Final Dividend") of HK2.2 cents per share for the year ended 31 December 2012 (2011: nil) to the Shareholders which is subject to shareholders' approval in the forthcoming annual general meeting to be held on 30 April 2013 ("AGM").

Subject to the approval of the Shareholders at the AGM, it is expected that the Final Dividend will be paid on or around 7 June 2013 to the Shareholders whose names appear in the register of members of the Company on 10 May 2013.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 47.

The Directors consider that the Company's reserves available for distribution to Shareholders comprise the share premium, the special reserve and the retained earnings which amounted to RMB1,648,684,000 (2011: RMB928,860,000) as at 31 December 2012. Under the Cayman Islands Companies Law, the share premium of the Company is available for paying distributions or dividends to Shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Use of net proceeds received from the initial public offering

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$448.1 million (or equivalent to approximately RMB370.0 million), which is intended to be applied in the manner consistent with that in the Prospectus. As at the date of the Directors' Report, approximately HK$141.0 million in aggregate was used to set up production facilities for aluminium alloy and double capacity conductors of which approximately HK$115.0 million was settled by the net proceeds from the Listing and the balance of approximately HK$26.0 million was settled by the Group's internal resources, approximately HK$40.1 million in aggregate of the net proceeds was used to set up a manufacturing facility in South Africa, approximately HK$16.5 million of the net proceeds was used for expansion of our production facilities for high and ultra-high voltage cables and approximately HK$14.1 million of the net proceeds was used to upgrade and expand existing production facilities and enhance research and development capabilities.

Financial summary

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on page 92.

An analysis of the Group's results by segment for the year ended 31 December 2012 is set out in note 7 to the consolidated financial statements.

Property, plant and equipment

During the year, the Group acquired land use rights at a cost of RMB31,245,000, buildings at a cost of RMB771,000, furniture, fixtures and equipment at a cost of RMB2,100,000, plant and machinery at a cost of RMB18,713,000, motor vehicles at a cost of RMB2,374,000, and construction in progress at a cost of RMB148,727,000.

Details of movements during the year ended 31 December 2012 in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

Share capital

Details of movements during the year ended 31 December 2012 in the share capital of the Company are set out in note 25 to the consolidated financial statements.

Bonus Issue of shares

As a return to the support of the Shareholders, on 15 November 2012, by an ordinary resolution of the Shareholders passed on 31 October 2012, the issued share capital was increased by way of applying HK$15,386,000 (approximately RMB12,463,000) charging to the share premium account in the payment in full at par of 1,538,600,000 shares at HK$0.01 each on the basis of one share for every one existing shares held by the Shareholders whose names appeared on the register of members of the Company on 7 November 2012. All bonus shares rank pari passu with the then existing shares.

Share premium and reserves

Details of movements during the year ended 31 December 2012 in the share premium and reserves of the Group are set out on the consolidated statement of changes in equity on page 47.

Directors

The Directors during the year and up to the date of this report were:

Chairman, Chief Executive Officer and Executive Director

Mr. Rui Fubin (appointed as a Director on 4 January 2011)

Executive Directors

Mr. Rui Yiping (appointed as a Director on 4 January 2011)
Ms. Xia Yafang (appointed as a Director on 26 January 2011)
Mr. Jiang Yongwei (appointed as a Director on 25 February 2012)
Mr. Hao Minghui (appointed as a Director on 1 December 2012)

Independent Non-executive Directors

Mr. He Zhisong (appointed as a Director on 25 February 2012)
Mr. Wu Changshun (appointed as a Director on 25 February 2012)
Mr. Yang Rongkai (appointed as a Director on 25 February 2012)
Mr. Poon Yick Pang Philip (appointed as a Director on 25 February 2012)

In accordance with Article 84(1) of the Company's articles of association, Mr. Jiang Yongwei, Mr. Wu Changshun and Mr. He Zhisong shall retire by rotation at the AGM, and being eligible, offer themselves, for re-election.

In accordance with Article 83(3) of the Company's Articles of Association, Mr. Hao Minghui shall retire by rotation at the AGM, and being eligible, offer himself, for re-election.

The Directors' biographical information is set out on pages 22 to 25.

Information regarding Directors' emoluments is set out in note 11 to the consolidated financial statements.

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Based on such confirmations, the Company still considers the independent non-executive Directors to be independent.

Directors' service contracts

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he/she agreed to act as a Director for a fixed term of three years with effect from 20 April 2012 ("Listing Date"), save and except Mr. Hao Minghui ("Mr. Hao"), who has entered into a service contract with the Company pursuant to which Mr. Hao is appointed as the executive Director for a fixed term from 1 December 2012 to 19 April 2015. Each of the independent non-executive Directors has been appointed for a fixed term of three years with effect 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 Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company

As at 31 December 2012, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities Future Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) as recorded in the register maintained by the Company under section 352 of the SFO, or which were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions

Name of director	The Company/ Name of association 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 Group Limited	Beneficial owner	83 ordinary shares	83%
Rui Yiping	Power Heritage Group Limited	Beneficial owner	17 ordinary shares	17%

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

Save as disclosed above, none of the Directors and chief executives of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations as at the date of this report.

Substantial Shareholders

As at 31 December 2012, the register of substantial shareholders maintained by the Company under section 336 of the SFO recorded that the following persons, other than directors or chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company which were required to notify the Company were as follows:

Long positions of substantial shareholders in the shares of the Company

Name of Shareholder	Capacity	Number of ordinary shares held	% of shares in issue
Power Heritage Group Limited (Note 1)	Beneficial owner	2,206,800,000	71.72%
Ms. Shi Mingxian (Note 2)	Interest of spouse (Note 2)	2,206,800,000	71.72%
Mr. Chen Weiping	Beneficial owner	108,900,000	7.08%

Notes:

(1) Power Heritage Group Limited is a company which is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping.

(2) Under the SFO, Ms. Shi Mingxian, the spouse of Mr. Rui Fubin, is deemed to be interested in all the shares in which Mr. Rui Fubin is interested in.

Connected transactions

The Board confirms that the related party transaction/balances as disclosed in Note 21 to the consolidated financial statements does not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. During the period from 20 April 2012 (the date on which the shares of the Company were listed in The Main Board of The Stock Exchange) to 31 December 2012, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Contracts of significance

Save as disclosed in this annual report, no contracts of significance to which the Company, its holding company or its subsidiaries was a party and in which a Director had a material interest, whether direct or indirect, subsisted at the end of the year or at any time during the year ended 31 December 2012.

Directors' interests in competing business

During the year ended 31 December 2012 and up to the date of this report, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

Management contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2012.

Arrangement to purchase shares or debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2012 and up to the date of this report, neither the Company nor any of its holding companies was a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Emolument policy

Our emolument policy is based on position, duties and performance of the employees. Emolument or remuneration may include salary, overtime allowance, bonus and various subsidies.

The emolument of the Directors are determined, having regard to the Company's operating results, individual performance and comparable market trend.

Retirement benefit scheme

With effect from 1 May 2011, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Contributions to the MPF Scheme made by the Group were in accordance with the statutory requirement prescribed by the MPF Ordinance (i.e. at least 5% of the employee's monthly relevant income or HK$1,250 where the employees's monthly relevant income exceeds HK$25,000 with effect from 1 June 2012 (HK$1,000 where the employee's monthly relevant income exceeds HK$20,000 before 1 June 2012)). The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. During the year ended 31 December 2012, the Group made contribution to the MPF Scheme amounting to approximately HK$13,750.

The Group also makes contribution to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance according to the Social Insurance Law in PRC. The contribution rates for the Group are based on the local regulations of the social insurance scheme in Yixing which is 8% for basic pension insurance, 9% on basic medical insurance, 1% on unemployment insurance, 2% on work-related injury insurance and 0.5% on maternity insurance respectively, and the contribution was based on the average salary of the workers in Yixing.

No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association, the laws of Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules since the Listing Date and up to the date of this report.

Charitable donations

Charitable donations made by the Group during the year amounted to RMB3,177 (2011: RMB18,000).

Major customers and suppliers

For the year ended 31 December 2012, the Group's largest customer accounted for approximately 2.6% (2011: 6.1%) of the Group's revenue and the five largest customers of the Group accounted for approximately 8.7% (2011: 11.3%) of the Group's revenue. For the year ended 31 December 2012, the Group's largest supplier accounted for approximately 34.7% (2011: 31.8%) of the Group's purchases and the five largest suppliers of the Group accounted for 77.4% (2011: 78.7%) of the Group's purchases for the year.

At no time during the year ended 31 December 2012 did a Director, an associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since 20 April 2012, the date on which the shares of the Company were listed on the Main Board of the Stock Exchange.

Bills financing

In the past we have engaged in non-compliance bills financing. The Group ceased entering into any new non-compliant bill financing transactions in November 2010 and settled all related bills in April 2011. Since the cessation of the non-compliant bill financing transactions, the Group has undertaken a series of measures to ensure such non-compliant bill financing arrangements will not occur in the future. An independent consulting firm was engaged by the Company to perform a follow-up assessment of internal controls over the procedure for bill financing management covering the period from 1 November 2011 to 31 December 2012. There were no deficiencies found in the review of our bill financing management conducted by the independent consulting firm.

Auditor

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2012. A resolution will be proposed for approval by Shareholders at the AGM to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Rui Fubin
Chairman, Chief Executive Officer and Executive Director
Hong Kong, 18 February 2013

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF JIANGNAN GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jiangnan Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 91, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 February 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	7	**5,356,363**	4,929,876
Cost of goods sold		**(4,513,978)**	(4,194,986)
Gross profit		**842,385**	734,890
Other income	8	**31,785**	14,434
Selling and distribution costs		**(94,126)**	(103,421)
Administrative expenses		**(85,965)**	(95,958)
Other expenses		**(32,160)**	(23,495)
Other losses		**(23,939)**	(11,499)
Finance costs	9	**(182,188)**	(126,352)
Profit before taxation	10	**455,792**	388,599
Taxation	12	**(79,672)**	(71,154)
Profit for the year attributable to owners of the Company		**376,120**	317,445
Other comprehensive income			
Exchange differences arising from translation of a foreign operation		**(70)**	(11,167)
Total comprehensive income for the year attributable to owners of the Company		**376,050**	306,278
			(Restated)
Earnings per share — Basic	14	**13.09 cents**	13.25 cents

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	15	**472,561**	346,727
Land use rights	16	**79,246**	49,983
Deferred tax asset	24	**5,208**	–
Deposit paid for acquisition of property, plant and equipment		**2,582**	15,283
		559,597	411,993
Current assets			
Inventories	17	**1,003,296**	1,185,879
Trade and other receivables	18	**1,830,916**	1,427,419
Pledged bank deposits	19	**755,097**	482,165
Bank balances and cash	19	**1,137,741**	677,897
		4,727,050	3,773,360
Current liabilities			
Trade and other payables	20	**1,404,824**	1,539,537
Amounts due to directors	21	**1,446**	13,314
Bank borrowings	22	**1,934,500**	1,401,825
Taxation payable		**32,501**	23,161
		3,373,271	2,977,837
Net current assets		**1,353,779**	795,523
Total assets less current liabilities		**1,913,376**	1,207,516
Non-current liabilities			
Government grants	23	**4,887**	5,260
Deferred tax liability	24	**27,692**	20,245
		32,579	25,505
		1,880,797	1,182,011
Capital and reserves			
Share capital	25	**24,964**	85,665
Reserves		**1,855,833**	1,096,346
		1,880,797	1,182,011

The consolidated financial statements on pages 45 to 91 were approved and authorised for issue by the board of directors on 18 February 2013 and are signed on its behalf by:

Rui Fubin
DIRECTOR

Rui Yiping
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2012

	Share capital RMB'000	Share premium RMB'000 (Note a)	Capital reserve RMB'000 (Note a)	Special reserve RMB'000 (Note b)	Non-distributable reserve RMB'000 (Note c)	Statutory reserve RMB'000 (Note d)	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2011	82,771	–	66,006	–	77,351	63,854	3,004	582,747	875,733
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	(11,167)	–	(11,167)
Profit for the year	–	–	–	–	–	–	–	317,445	317,445
Total comprehensive income for the year	–	–	–	–	–	–	(11,167)	317,445	306,278
Issue of shares	2,894	63,112	(66,006)	–	–	–	–	–	–
Transfers	–	–	–	–	–	34,444	–	(34,444)	–
At 31 December 2011	85,665	63,112	–	–	77,351	98,298	(8,163)	865,748	1,182,011
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	(70)	–	(70)
Profit for the year	–	–	–	–	–	–	–	376,120	376,120
Total comprehensive income for the year	–	–	–	–	–	–	(70)	376,120	376,050
Group Reorganisation (Note 25(c))	(85,584)	(63,112)	–	148,696	–	–	–	–	–
Capitalisation issue (Note 25(d))	9,669	(9,669)	–	–	–	–	–	–	–
Issue of shares of the Company under Initial Public Offering (Note 25(e))	2,751	387,909	–	–	–	–	–	–	390,660
Expenses incurred in connection with issue of shares	–	(20,696)	–	–	–	–	–	–	(20,696)
Bonus shares issued (Note 25(f))	12,463	(12,463)	–	–	–	–	–	–	–
Interim dividends recognised as distribution	–	–	–	–	–	–	–	(47,228)	(47,228)
Transfers	–	–	–	–	–	39,733	–	(39,733)	–
At 31 December 2012	24,964	345,081	–	148,696	77,351	138,031	(8,233)	1,154,907	1,880,797

Notes:

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

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

(b) The special reserve represents the difference between the nominal value of the shares of the Company issued in exchange for the entire equity interest in Extra Fame pursuant to the Group Reorganisation (as defined in note 1).

(c) The non-distributable reserve represents capitalisation of retained profit of Wuxi Jiangnan Cable Co., Ltd. ("Jiangnan Cable") for capital re-investment in Jiangnan Cable in 2007.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Operating activities		
Profit before taxation	**455,792**	388,599
Adjustments for:		
Interest income	**(29,096)**	(13,147)
Finance costs	**182,188**	126,352
Depreciation of property, plant and equipment	**35,358**	30,799
Loss on disposal of property, plant and equipment	**1,281**	21
Operating lease rentals in respect of land use rights	**1,229**	1,229
Release of government grants	**(473)**	–
Allowance for bad and doubtful debts	**22,658**	11,478
Operating cash flows before movements in working capital	**668,937**	545,331
Decrease (increase) in inventories	**182,583**	(408,134)
Increase in trade and other receivables	**(425,402)**	(360,048)
(Decrease) increase in trade and other payables	**(159,962)**	607,907
Cash generated from operations	**266,156**	385,056
PRC income tax paid	**(65,606)**	(54,097)
Withholding tax paid	**(2,487)**	–
Income tax paid in other jurisdiction	**–**	(2,648)
Net cash generated from operating activities	**198,063**	328,311
Investing activities		
Interest received	**29,096**	6,841
Proceeds from disposal of property, plant and equipment	**10,212**	295
Purchase of property, plant and equipment	**(93,381)**	(20,535)
Deposits paid for acquisition of property, plant and equipment	**(29,626)**	(14,519)
Purchase of land use rights	**(31,245)**	–
Government grants received	**100**	5,260
Repayment of advances to independent third parties and suppliers	**–**	2,509
Release of pledged bank deposits	**1,471,374**	768,518
Bank deposits pledged	**(1,744,306)**	(1,073,361)
Net cash used in investing activities	**(387,776)**	(324,992)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
Financing activities		
Interest paid	**(193,916)**	(127,238)
Expenses incurred in connection with the issue of shares	**(20,696)**	–
Dividends paid	**(47,228)**	–
New bank borrowings raised	**2,302,200**	1,625,425
Repayment of bank borrowings	**(1,769,525)**	(1,217,200)
Proceeds on issue of shares	**390,660**	–
Repayments of advances from independent third parties	**–**	(5,000)
Repayment to a director of a subsidiary	**–**	(1,120)
Repayment of bills payable under financing arrangement	**–**	(160,000)
Repayment to directors	**(11,868)**	(60,185)
Net cash generated from financing activities	**649,627**	54,682
Net increase in cash and cash equivalents	**459,914**	58,001
Cash and cash equivalents at beginning of the year	**677,897**	622,382
Effect of foreign exchange rate changes	**(70)**	(2,486)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**1,137,741**	677,897

1. General

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate and ultimate holding company of the Company is Power Heritage Group Limited ("Power Heritage"), a company which is incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company is to act as an investment holding company. Its subsidiaries are engaged in the manufacture of and trading in wires and cables.

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent a group reorganisation (the "Group Reorganisation") to rationalise the Group structure. Details of the Group Reorganisation are more fully explained in the paragraph headed "Reorganisation" in Appendix V to the prospectus dated 10 April 2012 issued by the Company (the "Prospectus"). As a result of the Group Reorganisation, the Company became the holding company of the Group on 25 February 2012.

The Group resulting from the Group Reorganisation, which involves interspersing Jiangnan Cable (HK) Limited ("Jiangnan Cable (HK)") and the Company between Extra Fame and its then shareholders, is regarded as a continuing entity. Accordingly, the consolidated statements of comprehensive income and consolidated statements of cash flows for the years ended 31 December 2012 and 2011 include the results and cash flows of the companies now comprising the Group have been prepared, as if the current group structure upon the completion of the Group Reorganisation had been in existence throughout those years, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2011 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date.

The shares of the Company were listed on the Stock Exchange on 20 April 2012.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial assets
Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009–2011 cycle issued in 2012

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKAS"s) and HKFRSs, amendments and interpretation ("INTs") (hereinafter collectively referred to as the "new and revised HKFRSs") that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 7	Disclosures — offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC*)-INT 20	Stripping costs in the production phase of a surface mine[1]

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

* IFRIC represents the International Financial Reporting Interpretations Committee.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Annual improvements to HKFRSs 2009–2011 cycle issued in June 2012

The "Annual improvements to HKFRSs 2009–2011 cycle" include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 "Property, plant and equipment" and the amendments to HKAS 32 "Financial instruments: Presentation".

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 but do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures — offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the amendments to HKFRS 7 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013, whilst the amendments to HKAS 32 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2014. The application of these amendments may results in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the amendments will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 but do not anticipate that the amendments will have a material effect on the Group consolidated financial statements.

HKFRS 9 Financial instruments

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

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

HKFRS 9 Financial instruments *(continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company anticipate that the amendments will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 but do not anticipate that the application of HKFRS 9 and its amendments will have a material effect on the Group's consolidated financial statements based on an analysis of financial assets and financial liabilities as at 31 December 2012.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the amendments will be adopted in the Group's consolidated financial statements for annual period beginning 1 January 2013 and the application of the amendments will not have a material effect on Group's consolidated financial statements but may results in more extensive disclosures in the consolidated financial statements.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

3. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis and in accordance with the accounting policies set out below which conform with the HKFRSs. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investment in a subsidiary

Investment in a subsidiary are included in the Company's statement of financial position at cost less any identified impairment loss.

3. Significant accounting policies *(continued)*

Revenue recognition

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

Revenue from the sales of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the asset are ready for their intended use.

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

3. Significant accounting policies *(continued)*

Land use rights and leasehold building

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

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

Borrowing costs

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

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

Research and development costs

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

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

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

3. Significant accounting policies *(continued)*

Research and development costs *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

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

Impairment losses of tangible assets

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

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

Financial instruments

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

Financial assets

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

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

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Financial liabilities and equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to directors and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

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

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

Taxation

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

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

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

3. Significant accounting policies *(continued)*

Taxation *(continued)*

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

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

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

Foreign currencies

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

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

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

Operating leases

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

3. Significant accounting policies *(continued)*

Government grants

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

Retirement benefits costs

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

4. Capital risk management

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

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

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

5. Key sources of estimation uncertainty

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

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

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

5. Key sources of estimation uncertainty *(continued)*

Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned. Change in these estimations may have a material impact on the results of the Group. At 31 December 2012, the carrying amounts of property, plant and equipment are approximately RMB472,561,000 (2011: RMB346,727,000).

Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale was concluded. At 31 December 2012, the carrying amount of inventories are approximately RMB1,003,296,000 (2011: RMB1,185,879,000).

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2012, the carrying amount of trade receivables are approximately RMB1,732,705,000 (2011: RMB1,313,371,000) (net of allowance for bad and doubtful debts of RMB89,269,000 (2011: RMB66,611,000) as at 31 December 2012).

6. Financial instruments

Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,692,534**	2,574,031
Financial liabilities		
Amortised cost	**3,131,807**	2,670,195

Financial risk management objectives and policies

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

Interest rate risk

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

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

If the interest rates on pledged bank deposits, bank balances and bank borrowings had been 25 basis points (2011: 25 basis points) lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2012 RMB'000	2011 RMB'000
Decrease in profit for the year	**2,833**	1,007

There would be an equal and opposite impact on the profit for the year where there had been 25 basis points higher. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the interest rate risk as the exposure at the end of the reporting period do not reflect the exposure for the whole year.

6. Financial instruments *(continued)*

Currency risk

The Group has foreign currency sales and purchases during the year which exposed the Group to foreign currency risk. During the year ended 31 December 2012, approximately 7% (2011: 8%) of the Group's sales are denominated in currency other than the functional currency of the group entity which it relates.

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

	2012		2011	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
United States dollars	**58,987**	**(38,336)**	198,471	(90,078)
Hong Kong dollars	**64,946**	**(1,272)**	3,423	(10,117)
Singapore dollars	**74,412**	**–**	23,759	–

The Group is mainly exposed to currency risk of United States dollars, Hong Kong dollars and Singapore dollars. The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in the RMB against the relevant foreign currencies. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. If the RMB strengthens 5% (2011: 5%) against the relevant foreign currencies, the increase (decrease) in profit for the year is as follows:

	2012 RMB'000	2011 RMB'000
United States dollars	**(878)**	(5,420)
Hong Kong dollars	**(2,706)**	335
Singapore dollars	**(3,163)**	(1,188)

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

6. Financial instruments *(continued)*

Credit risk

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

The Group has concentration of credit risk in relation to trade and bills receivables from top five customers amounting to RMB164,654,000 (2011: RMB166,400,000), representing approximately 9.5% (2011: 12.0%) of the total trade and bills receivables at 31 December 2012. The largest trade and bills receivable from a customer by itself accounted for approximately 4.3% (2011: 7%) of the total trade and bills receivables at 31 December 2012. The details of trade and bills receivables which are past due but not impaired at the end of the reporting period are disclosed in note 18.

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

6. Financial instruments *(continued)*

Liquidity risk

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

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

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2012					
Trade and other payables	**–**	**1,170,612**	**–**	**1,170,612**	**1,170,612**
Construction work payables	**–**	**25,249**	**–**	**25,249**	**25,249**
Amounts due to directors	**–**	**1,446**	**–**	**1,446**	**1,446**
Bank borrowings:					
— variable rate	**6.58**	**1,415,135**	**11,311**	**1,426,446**	**1,380,900**
— fixed rate	**6.39**	**567,433**	**4,081**	**571,514**	**553,600**
		3,179,875	**15,392**	**3,195,267**	**3,131,807**
At 31 December 2011					
Trade and other payables	–	1,255,056	–	1,255,056	1,255,056
Amounts due to directors	–	13,314	–	13,314	13,314
Bank borrowings:					
— variable rate	6.76	389,478	388,678	778,156	752,825
— fixed rate	6.33	473,438	193,372	666,810	649,000
		2,131,286	582,050	2,713,336	2,670,195

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. Turnover and segment information

The Group's chief operating decision maker has been identified as the executive directors of the Company ("Executive Directors") who reviews the business of the following reportable operating segments by products:

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

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

Turnover represents the fair value of the consideration received and receivable for goods sold to external customers during the year.

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

The information of segment results are as follows:

	2012 RMB'000	2011 RMB'000
Revenue		
— power cables	**3,701,286**	3,264,747
— wires and cables for electrical equipment	**1,326,750**	1,101,426
— bare wires	**328,327**	563,703
	5,356,363	4,929,876
Cost of goods sold		
— power cables	**3,068,903**	2,746,478
— wires and cables for electrical equipment	**1,146,642**	937,463
— bare wires	**298,433**	511,045
	4,513,978	4,194,986
Segment result		
— power cables	**632,383**	518,269
— wires and cables for electrical equipment	**180,108**	163,963
— bare wires	**29,894**	52,658
	842,385	734,890

7. Turnover and segment information *(continued)*

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

	2012 RMB'000	2011 RMB'000
Reportable segment results	**842,385**	734,890
Unallocated income and expenses		
— Other income	**31,785**	14,434
— Selling and distribution costs	**(94,126)**	(103,421)
— Administrative expenses	**(85,965)**	(95,958)
— Other expenses	**(32,160)**	(23,495)
— Other gains and losses	**(23,939)**	(11,499)
— Finance costs	**(182,188)**	(126,352)
Profit before taxation	**455,792**	388,599

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

Other information

Turnover by geographical location of customers is presented as follows:

	2012 RMB'000	2011 RMB'000
Turnover		
— PRC (country of domicile)	**4,958,031**	4,498,535
— South Africa	**225,017**	375,362
— Singapore	**139,543**	23,759
— United States	**18,272**	20,472
— South America	**13,423**	8,636
— Australia	**2,062**	2,843
— Japan	**15**	–
— Philippines	**–**	239
— Middle East	**–**	30
	5,356,363	4,929,876

The Group mainly operates in two principal geographical areas — the PRC (excluding Hong Kong) and South Africa. At 31 December 2012, approximately 97.8% (2011: 99.8%) of the Group's non-current assets were located in the PRC (the place of domicile).

7. Turnover and segment information *(continued)*

Information about major customers

No customer contributed over 10% of the total sales of the Group during both years.

8. Other income

	2012 RMB'000	2011 RMB'000
Interest income	**29,096**	13,147
Government subsidies (Note)	**2,105**	1,197
Others	**584**	90
	31,785	14,434

Note: Included in the amount is RMB473,000 (2011: nil) representing deferred income on government subsidies in relation to capital expenditure on property, plant and equipment recognised in this year over the useful lives of the related assets. The remaining amount represents the incentive subsidies provided by the PRC local authorities to the Group to encourage business development in the Yixing region and research and energy reduction activities conducted by the Group, all of them had no specific conditions attached.

9. Finance costs

	2012 RMB'000	2011 RMB'000
Interests on bank loans wholly repayable within five years	**193,916**	127,238
Less: Amount capitalised	**(11,728)**	(886)
	182,188	126,352

Borrowing costs capitalised during the year ended 31 December 2012, arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.57% (2011: 6.5%) per annum for the Group's expenditure on qualifying assets.

10. Profit before taxation

	2012 RMB'000	2011 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	**2,440**	1,697
Other staff cost:		
Salaries and other benefits	**98,676**	98,331
Contributions to retirement benefit scheme	**14,350**	12,182
Total staff costs	**115,466**	112,210
Less: Staff costs included in research and development costs	**(9,411)**	(8,330)
	106,055	103,880
Depreciation of property, plant and equipment	**35,358**	30,799
Less: Depreciation included in research and development costs	**(2,440)**	(1,603)
	32,918	29,196
Allowance for bad and doubtful debts (included in other gains and losses)	**22,658**	11,478
Auditor's remuneration	**1,480**	80
Cost of inventories recognised as expenses	**4,513,978**	4,194,986
Expenses in relation to initial public offering of the Company's shares (included in other expenses)	**18,773**	13,562
Loss on disposal of property, plant and equipment (included in other gains and losses)	**1,281**	21
Minimum lease payment under operating lease in respect of property	**1,692**	545
Operating lease rentals in respect of land use rights	**1,229**	1,229
Research and development costs (included in other expenses)	**13,387**	9,933

11. Directors' and employees' emoluments

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

	Fees RMB'000	Basic salaries and allowance RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
For the year ended 31 December 2012					
Executive directors:					
Rui Fubin	**–**	**748**	**–**	**–**	**748**
Rui Yiping	**–**	**565**	**–**	**8**	**573**
Jiang Yongwei	**–**	**335**	**–**	**8**	**343**
Xia Yafang	**–**	**403**	**–**	**8**	**411**
Hao Minghui	**–**	**30**	**–**	**–**	**30**
Independent non-executive directors:					
Philip Poon Yick Pang	**134**	**–**	**–**	**–**	**134**
He Zhisong	**67**	**–**	**–**	**–**	**67**
Wu Changshun	**67**	**–**	**–**	**–**	**67**
Yang Rongkai	**67**	**–**	**–**	**–**	**67**
	335	**2,081**	**–**	**24**	**2,440**
For the year ended 31 December 2011					
Executive directors:					
Rui Fubin	–	539	–	–	539
Rui Yiping	–	489	–	8	497
Jiang Yongwei	–	280	–	8	288
Xia Yafang	–	365	–	8	373
Hao Minghui	–	–	–	–	–
Independent non-executive directors:					
Philip Poon Yick Pang	–	–	–	–	–
He Zhisong	–	–	–	–	–
Wu Changshun	–	–	–	–	–
Yang Rongkai	–	–	–	–	–
	–	1,673	–	24	1,697

The independent non-executive directors of the Company were appointed by the Company in March 2012.

11. Directors' and employees' emoluments *(continued)*

The five highest paid individuals for the year ended 31 December 2012 included four (2011: three) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2011: two) individual, for the year were as follows:

	2012 RMB'000	2011 RMB'000
Employees		
— basic salaries and allowances	**744**	1,006
— bonus	**–**	–
— retirement benefits scheme contributions	**11**	10
	755	1,016

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

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

12. Taxation

	2012 RMB'000	2011 RMB'000
The charge comprises:		
PRC income tax	**77,433**	61,955
South Africa corporate tax	**–**	584
Deferred taxation (note 24)	**2,239**	8,615
Taxation charge for the year	**79,672**	71,154

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onward. Pursuant to the approval published on the website of and issued by the Yixing Provincial Commission of Science and Technology, Wuxi Jiangnan Cable Co., Ltd. ("Jiangnan Cable") was endorsed as a High and New Technology Enterprise on 4 March 2009 (renewed on 21 May 2012) and was entitled to a reduced PRC income tax rate of 15% till next renewal in 2015.

Taxation arising in South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax is calculated at 28% (2011: 28%) of the assessable profit during the year.

12. Taxation *(continued)*

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated for 1 January 2008 onwards shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Details Implementation Rules. By the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China-HK TA), a Hong Kong resident company should be entitled to preferential tax rate of 5% when receiving dividend from its PRC subsidiary.

No provision for Hong Kong Profits Tax has been provided in the consolidated financial statements as the Group did not have assessable profit in Hong Kong during both years.

The taxation for the year is reconciled to profit before taxation per the consolidated statement of comprehensive income as follows:

	2012 RMB'000	2011 RMB'000
Profit before taxation	**455,792**	388,599
Tax at the applicable tax rate (Note)	**113,948**	97,150
Tax effect of expenses not deductible for tax purposes	**8,332**	3,463
Tax effect of income not taxable for tax purposes	**(1,651)**	(450)
Tax effect of tax concession granted to Jiangnan Cable	**(47,896)**	(40,502)
Tax effect of research and development super-deduction	**(1,004)**	–
Tax effect of deductible temporary differences not recognised	**3,399**	1,722
Tax effect of deductible temporary differences previously not recognised	**(2,276)**	–
Effect of different applicable tax rate of a subsidiary	**–**	63
Withholding tax on undistributed earnings	**9,934**	8,615
Others	**(3,114)**	1,093
Taxation charge for the year	**79,672**	71,154

Note: The application income tax rate represents PRC income tax rate at 25% (2011: 25%) for the year ended 31 December 2012 as the Group's operations are substantially based in the PRC.

13. Dividends

An interim dividend of HK3.8 cents per share amounting to HK$58,466,800 (approximately RMB47,228,000) in aggregate was paid to the Shareholders whose names appeared on the register of members of the Company on 21 September 2012.

Subsequent to the end of the reporting period, a final dividend of HK2.2 cents in respect of the year ended 31 December 2012 (2011: nil) per share has been proposed by the directors of the Company and is subject to approval by the Shareholders in the forthcoming annual general meeting.

14. Earnings per share

The calculation of the basic earnings per share for the year is based on the following data:

	2012 RMB'000	2011 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**376,120**	317,445
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,873,669,944**	2,395,357,898

The weighted average number of ordinary shares in 2011 for the purpose of basic earnings per share is determined based on the assumption that the Group Reorganisation and the capitalisation issue as disclosed in "Statutory and General Information" in Appendix V to the Prospectus, as if, have been completed on 1 January 2011.

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the bonus issue on 15 November 2012 (see note 25(f) for details).

No dilutive earnings per share are presented as there were no potential dilutive shares during both years.

15. Property, plant and equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2011	124,622	169,856	19,406	13,233	121,148	448,265
Additions	–	13,704	909	3,820	14,424	32,857
Disposals	–	(708)	(175)	(355)	–	(1,238)
Transfer	39,743	77,115	–	2,187	(119,045)	–
At 31 December 2011	164,365	259,967	20,140	18,885	16,527	479,884
Additions	771	18,713	2,374	2,100	148,727	172,685
Disposals	–	(16,465)	–	(54)	–	(16,519)
Transfer	17,212	297	–	933	(18,442)	–
At 31 December 2012	182,348	262,512	22,514	21,864	146,812	636,050
DEPRECIATION						
At 1 January 2011	28,398	58,472	8,584	7,826	–	103,280
Provided for the year	6,454	19,799	2,672	1,874	–	30,799
Eliminated on disposal	–	(456)	(157)	(309)	–	(922)
At 31 December 2011	34,852	77,815	11,099	9,391	–	133,157
Provided for the year	7,523	22,307	2,658	2,870	–	35,358
Eliminated on disposal	–	(5,020)	–	(6)	–	(5,026)
At 31 December 2012	42,375	95,102	13,757	12,255	–	163,489
CARRYING VALUES						
At 31 December 2012	139,973	167,410	8,757	9,609	146,812	472,561
At 31 December 2011	129,513	182,152	9,041	9,494	16,527	346,727

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

At 31 December 2012, the Group pledged certain of its buildings and machinery with carrying value of RMB58,711,000 and RMB38,061,000, respectively, (2011: RMB59,020,000 and RMB59,680,000, respectively) to certain banks to secure credit facilities granted to the Group.

During the year ended 31 December 2012, interest expense of RMB11,728,000 (2011: RMB886,000) have been capitalised.

15. Property, plant and equipment *(continued)*

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

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

16. Land use rights

	2012 **RMB'000**	2011 RMB'000
Carrying amount		
At beginning of the year	**51,212**	52,441
Addition	**31,245**	–
Charged to profit or loss for the year	**(1,229)**	(1,229)
At end of the year	**81,228**	51,212
Analysed for reporting purposes as:		
Current portion (note 18)	**1,982**	1,229
Non-current portion	**79,246**	49,983
	81,228	51,212

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

At 31 December 2012 and 31 December 2011, the Group has pledged the land use rights held by Jiangnan Cable with a carrying amount of RMB42,766,000 (2011: RMB51,212,000) to certain banks to secure the credit facilities granted to the Group.

At 31 December 2012, the Group is in the process of obtaining the land use right certificates for the land newly acquired in the current year. The land use right certificate was obtained in January 2013.

17. Inventories

	2012 RMB'000	2011 RMB'000
Raw materials	**115,570**	15,046
Work in progress	**472,777**	713,040
Finished goods	**414,949**	457,793
	1,003,296	1,185,879

At 31 December 2012, the Group pledged certain of its inventories with an aggregate carrying value of RMB434,134,000 (2011: RMB165,900,000) to certain banks to secure credit facilities granted to the Group.

18. Trade and other receivables

	2012 RMB'000	2011 RMB'000
Trade receivables, net	**1,732,705**	1,313,371
Bills receivables	**7,305**	57,818
	1,740,010	1,371,189
Current portion of land use rights (note 16)	**1,982**	1,229
Deposits paid to suppliers	**7,432**	1,902
Prepayments	**6,986**	5,117
Staff advances	**6,988**	5,384
Tender deposits	**51,418**	38,534
Interest income receivables	**7,552**	–
VAT tax receivables	**3,828**	–
Other receivables	**4,720**	4,064
	1,830,916	1,427,419

18. Trade and other receivables *(continued)*

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

The following is an aged analysis of trade receivables, net of allowances for bad and doubtful debts, and bill receivables based on the invoice date at the end of the reporting period:

	2012 RMB'000	2011 RMB'000
Age		
0 to 90 days	**1,261,629**	1,023,289
91 to 180 days	**474,775**	322,064
181 to 365 days	**3,606**	25,836
	1,740,010	1,371,189

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB745,282,000 (2011: RMB482,560,000) at 31 December 2012, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. At the end of each reporting period, the management will individually assess the recoverability of its trade debtors and consider whether any amounts are individually impaired and provided for impairment loss. Except for those trade debts that considered to be individually impaired, the remaining trade and bills receivables that are past due but not impaired, in the opinion of the management are recoverable as there has been continuing settlement from these customers. The Group does not hold any collateral over these balances. At 31 December 2011, the Group pledged certain of its bills receivables with an aggregate carrying value of RMB53,938,000 (2012: nil) to certain banks to secure credit facilities granted to the Group.

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

	2012 RMB'000	2011 RMB'000
Age		
0 to 90 days	**276,442**	174,588
91 to 180 days	**465,234**	291,565
181 to 365 days	**3,606**	16,407
	745,282	482,560

18. Trade and other receivables *(continued)*

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

The Group has provided fully for all receivables over three years because historical experience is such that receivables that are past due beyond three years are generally not recoverable. For all receivables aged over one year but not more than three years, provision has been made individually with no subsequent settlements as historical evidence shows that such amounts are not recoverable.

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

Movement in the allowance for bad and doubtful debts:

	2012 RMB'000	2011 RMB'000
At beginning of the year	**66,611**	55,133
Allowances for the year	**22,658**	11,478
At end of the year	**89,269**	66,611

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB89,269,000 (2011: RMB66,611,000) at 31 December 2012, which have been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

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

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

	2012 RMB'000	2011 RMB'000
United states dollars	**58,829**	193,280
Singapore dollars	**74,394**	23,759

19. Bank balances and cash/pledged bank deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging from 0.35% to 0.50% per annum (2011: 0.36% to 0.50% per annum) at 31 December 2012.

The pledged bank deposits carry interest at the prevailing market rate ranging from 2.8% to 3.3% per annum (2011: 2.50% to 3.30% per annum) at 31 December 2012.

At 31 December 2012 and 31 December 2011, the entire pledged bank deposits represents deposits pledged to banks to secure the short-term bank facilities drawn and the issuance of bills payables by the Group.

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

	2012 **RMB'000**	2011 RMB'000
United States dollars	**158**	5,191
Hong Kong dollars	**64,946**	3,423
Singapore dollars	**18**	–

20. Trade and other payables

	2012 **RMB'000**	2011 RMB'000
Trade payables	**348,703**	412,122
Bills payables	**814,000**	835,000
	1,162,703	1,247,122
Payroll and welfare accruals	**35,400**	36,203
Receipts in advances from customers	**111,784**	198,394
Construction work payables	**25,249**	–
Other tax payables	**20,883**	10,622
Other deposits	**4,210**	3,360
Other payables and accruals	**44,595**	43,836
	1,404,824	1,539,537

20. Trade and other payables *(continued)*

The Group normally receives credit terms ranging from 30 to 90 days from its suppliers. The following is an aged analysis of trade and bills payables based on invoice date at the end of the reporting period:

	2012 RMB'000	2011 RMB'000
Age		
0 to 90 days	**927,803**	1,087,471
91 to 180 days	**231,315**	157,466
181 to 365 days	**1,377**	410
Over 1 year	**2,208**	1,775
	1,162,703	1,247,122

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

	2012 RMB'000	2011 RMB'000
United States dollars	**38,336**	90,078
Hong Kong dollars	**930**	–

21. Amounts due to directors

	2012 RMB'000	2011 RMB'000
Directors of the Group		
— Rui Fubin	**1,446**	12,866
— Rui Yiping	**–**	205
— Jiang Yongwei	**–**	97
— Xia Yafang	**–**	146
	1,446	13,314

The amount represented advance from directors of the Company for the daily operation and payment of certain expense on behalf of the Group. The amounts were unsecured, non-interest bearing and repayable on demand.

21. Amounts due to directors *(continued)*

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

	2012 **RMB'000**	2011 RMB'000
Hong Kong dollars	**342**	10,117

22. Bank borrowings

	2012 **RMB'000**	2011 RMB'000
Secured	**110,500**	199,725
Secured and guaranteed by independent third parties	**195,400**	409,500
Unsecured and guaranteed by:		
— independent third parties	**1,628,600**	742,600
— directors, family members of directors, related companies and independent third parties	**–**	50,000
	1,934,500	1,401,825
The bank borrowings comprise:		
Variable rate borrowings	**1,380,900**	752,825
Fixed rate borrowings	**553,600**	649,000
	1,934,500	1,401,825

At 31 December 2012, the fixed rate bank borrowings carried interest ranging 2.50% to 7.57% per annum (2011: 2.50% to 7.57% per annum).

At 31 December 2012 and 31 December 2011, the variable rate bank borrowings carried interest ranging from PBOC rate to 120% of PBOC rate per annum.

All bank borrowings are repayable within one year and denominated in Renminbi at 31 December 2012 and 31 December 2011.

22. Bank borrowings *(continued)*

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

	2012 RMB'000	2011 RMB'000
For bank borrowings:		
— property, plant and equipment	**96,772**	118,700
— land use rights	**42,766**	51,212
— inventories	**434,134**	165,900
— bills receivables	**–**	53,938
For bank borrowings and bills payables:		
— pledged bank deposits	**755,097**	482,165
	1,328,769	871,915

23. Government grants

	2012 RMB'000	2011 RMB'000
At beginning of the year	**5,260**	–
Addition during the year	**100**	5,260
Release during the year	**(473)**	–
At end of the year	**4,887**	5,260

During the year ended 31 December 2012, the Group received government subsidies of RMB100,000 (2011: RMB5,260,000) in relation to capital expenditure on property, plant and equipment made by the Group. The relevant conditions of the subsidies has been fulfilled before recognition and such subsidies were non-recurring in nature. The amount has been treated as deferred income and will transfer to income over the useful lives of the relevant assets.

24. Deferred taxation

The following is the deferred tax liability (assets) recognised by the Group and movements thereon during the year:

	Accelerated tax depreciation RMB'000	**Tax on undistributed earnings** RMB'000	**Total** RMB'000
At 1 January 2011	–	11,630	11,630
Charged to profit or loss for the year (note 12)	–	8,615	8,615
At 31 December 2011	–	20,245	20,245
(Credit) charged to profit or loss for the year (note 12)	(5,208)	9,934	4,726
Withholding tax paid	–	(2,487)	(2,487)
At 31 December 2012	(5,208)	27,692	22,484

Deferred tax liability on the undistributed profits of Jiangnan Cable earned during the year ended 31 December 2012 have been accrued at the tax rate of 10% (2011: 10%) on the expected dividend stream of 25% out of the undistributed profit of Jiangnan Cable for each year which is determined by the directors of the Company. At 31 December 2012, an amount of approximately RMB276,920,000 (2011: RMB202,450,000) of the profits of Jiangnan Cable has been provided in respect of such withholding tax. No deferred tax liability has been recognised in respect of the remaining balance of undistributed profits of Jiangnan Cable amounting to RMB830,760,000 (2011: RMB607,350,000).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB89,269,000 (2011: RMB66,611,000) in respect of its allowances for bad and doubtful debts. No deferred tax asset has been recognised in relation to such deductible temporary difference as, in the opinion of the directors of the Company, those allowances for bad and doubtful debts are not highly probable to be utilised as these amounts are subject to approval by the relevant tax authorised in the PRC and not intended to be claimed by the Group in the foreseeable future.

25. Share capital

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

Movements in the authorised and issue share capital of the Company from 4 January 2011 (date of incorporation) to 31 December 2012 are as follows:

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
On 4 January 2011 (date of incorporation) and 31 December 2011 (note a)	10,000,000	100,000	
Increase pursuant to Group Reorganisation (note b)	9,990,000,000	99,900,000	
At 31 December 2012	10,000,000,000	100,000,000	
Issued and fully paid:			
Issue of share on 4 January 2011 (date of incorporation) and 31 December 2011 (note a)	1	–	–
Issue of shares pursuant to Group Reorganisation (note c)	9,999,999	100,000	81
Capitalisation issue (note d)	1,190,000,000	11,900,000	9,669
Issue of shares of the Company under initial public offering (note e)	338,600,000	3,386,000	2,751
Bonus shares issued (note f)	1,538,600,000	15,386,000	12,463
At 31 December 2012	3,077,200,000	30,772,000	24,964

Notes:

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

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

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

25. Share capital *(continued)*

Notes: (continued)

(d) On 25 February 2012, pursuant to the shareholders' written resolutions, 1,190,000,000 shares were issued and allotted to the then shareholders of the Company by way of capitalisation of the sum of HK$11,900,000 (approximately RMB9,669,000) standing to the credit of the share premium account of the Company, such shares ranking pari passu in all respect with the existing issued shares of the Company.

(e) On 20 April 2012, the Company issued 338,600,000 ordinary shares of HK$0.01 each at HK$1.42 per share by way of initial public offering.

(f) On 15 November 2012, by an ordinary resolution passed on 31 October 2012, the issued share capital was increased by way of applying HK$15,386,000 (approximately RMB12,463,000) charging to the share premium account in the payment in full at par of 1,538,600,000 shares at HK$0.01 each on the basis of one share for every one existing shares held by the members of the Company whose names appear on the register of members of the Company on 7 November 2012. All bonus shares rank pari passu with the then existing shares.

26. Operating lease commitments

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

	2012 **RMB'000**	2011 RMB'000
Within one year	**1,836**	443
In the second to fifth year inclusive	**970**	584
	2,806	1,027

The leases are negotiated for lease term of 1 to 2 years at fixed monthly rental.

27. Capital commitment

	2012 **RMB'000**	2011 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**14,062**	7,983

28. Retirement benefits schemes

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

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,250 (for the year ended 31 December 2011 and up to May 2012: HK$1,000) per month from June 2012 onwards for each employee.

29. Related parties transactions

Other than the transactions and balances with related parties disclosed in note 21 during the year, the Group has no other significant transactions and balances with related parties.

The details of remuneration of key management personnel, represents the emoluments of directors of the Company paid during the year and set out in note 11.

30. Information about the statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 RMB'000
Non-current assets	
Property, plant and equipment	**131**
Investment in a subsidiary (note 31)	**517,162**
	517,293
Current assets	
Other receivables	**211**
Bank balances and cash	**2,631**
	2,842
Current liabilities	
Other payables	**1,364**
Net current assets	**1,478**
	518,771
Capital and reserves	
Share capital	**24,964**
Reserves (note 32)	**493,807**
	518,771

31. Investment in a subsidiary

	THE COMPANY RMB'000
Unlisted shares, at cost	
At 4 January 2011 (date of incorporation) and 31 December 2011	**–**
Group Reorganisation (note)	**148,777**
Addition	**368,385**
At 31 December 2012	**517,162**

Note: Investment cost represents the deemed investment in Extra Fame representing the carrying amount of the total equity of Extra Fame on the date of which the Company issued new shares to Power Heritage, Furui Investments and Sinostar as directed by the then shareholders of Extra Fame pursuant to the Group Reorganisation on 25 February 2012 (see note 25(c) for details).

32. Reserves of the Company

	Share premium RMB'000	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 4 January 2011 (date of incorporation) and 31 December 2011	–	–	–	–
Profit for the year	–	–	47,258	47,258
Group Reorganisation (note 25(c))	–	148,696	–	148,696
Capitalisation issue (note 25(d))	(9,669)	–	–	(9,669)
Issue of shares of the Company under initial public offering (note 25(e))	387,909	–	–	387,909
Expenses incurred in connection with issue of shares	(20,696)	–	–	(20,696)
Bonus shares issued (note 25(f))	(12,463)	–	–	(12,463)
Interim dividend recognised as distribution (note 13)	–	–	(47,228)	(47,228)
At 31 December 2012	345,081	148,696	30	493,807

33. Subsidiaries

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up capital	Attributable equity interest of the Group		Principal country/place of operation	Principal activities
			2012 **%**	2011 %		
Extra Fame	BVI	USD 10,438,413	**100**	100	Hong Kong	Investment holding
Jiangnan Cable*	PRC	USD 50,000,000	**100**	100	PRC	Manufacture of and trading in wires and cables
Jiangnan Cable (HK)	Hong Kong	HKD 10	**100**	100	Hong Kong	Investment holding
Wuxi New Suneng Composite material Co., Ltd.#	PRC	HKD 141,000,000	**100**	–	PRC	Manufacture of and trading in aluminum alloy and double capacity conductors
SA Asia Cable (Proprietary) Limited	South Africa	RAND 1,000	**100**	100	South Africa	Trading in wires and cables

* Directly held by Jiangnan Cable (HK) as a wholly foreign owned enterprise since 25 January 2011 and was formerly held by Extra Fame.

\# Directly held by Jiangnan Cable (HK) as a wholly foreign owned enterprise since 22 May 2012.

Financial Summary

The consolidated results and assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements, are as follows:

	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012** **RMB'000**
Results				
Turnover	2,994,966	3,686,366	4,929,876	**5,356,363**
Cost of goods sold	(2,595,328)	(3,155,232)	(4,194,986)	**(4,513,978)**
Gross profit	399,638	531,134	734,890	**842,385**
Other income	18,682	8,414	14,434	**31,785**
Selling and distribution costs	(97,658)	(92,936)	(103,421)	**(94,126)**
Administrative expenses	(67,135)	(70,125)	(95,958)	**(85,965)**
Other expenses	(4,893)	(7,427)	(23,495)	**(32,160)**
Other gains and losses	7,355	(17,042)	(11,499)	**(23,939)**
Finance costs	(59,727)	(68,869)	(126,352)	**(182,188)**
Profit before taxation	196,262	283,149	388,599	**455,792**
Taxation	(32,706)	(51,330)	(71,154)	**(79,672)**
Profit for the year	163,556	231,819	317,445	**376,120**
Assets and liabilities				
Non-current assets	346,604	408,397	411,993	**559,597**
Current assets	2,163,324	2,661,182	3,773,360	**4,727,050**
Total assets	2,509,928	3,069,579	4,185,353	**5,286,647**
Current liabilities	1,929,375	2,102,216	2,977,837	**3,373,271**
Non-current liabilities	5,933	91,630	25,505	**32,579**
Total liabilities	1,935,308	2,193,846	3,003,342	**3,405,850**
Net assets	574,620	875,733	1,182,011	**1,880,797**