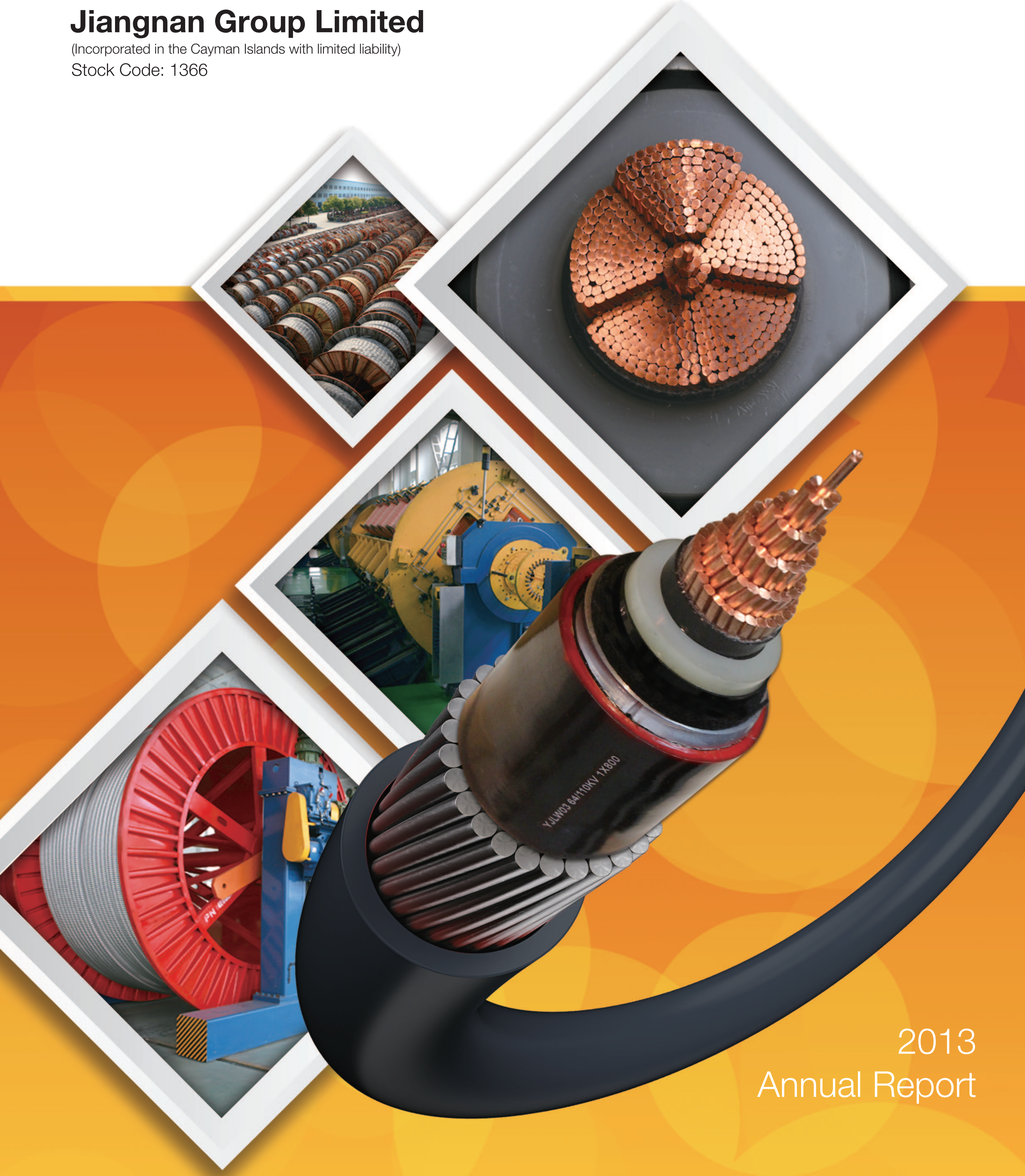
江南集團有限公司

Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1366

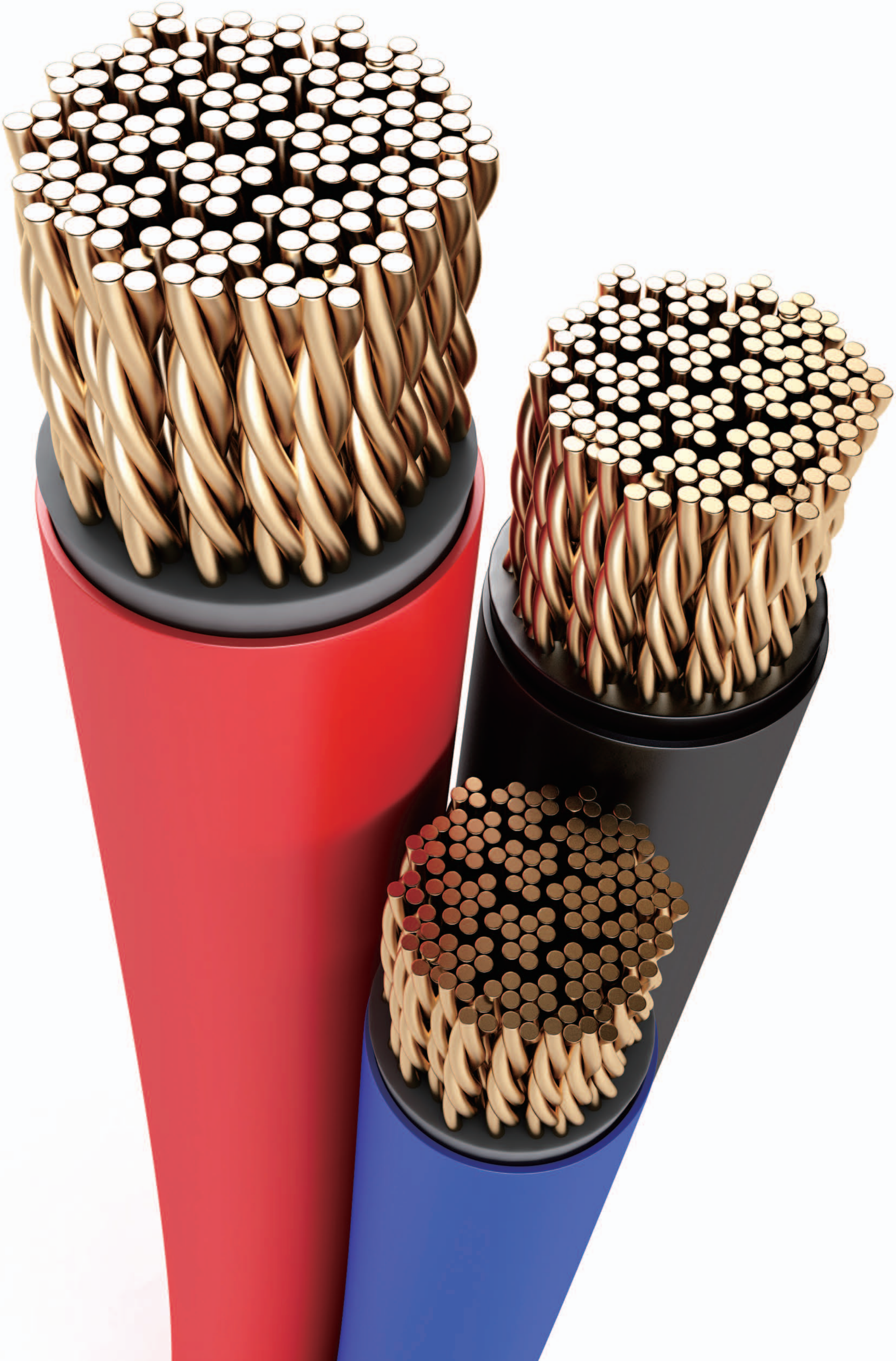


2013

Annual Report

Group's philosophy

As one of the best known large scale wires and cables manufacturer and marketing enterprise, adhering to honesty and hard working, **Jiangnan Group aims to develop vigorously a better industry environment**, to be among world-class brands and best international enterprises, to create social wealth, to realize staff value and to gain best return to the shareholders.



Contents

Milestones

1997

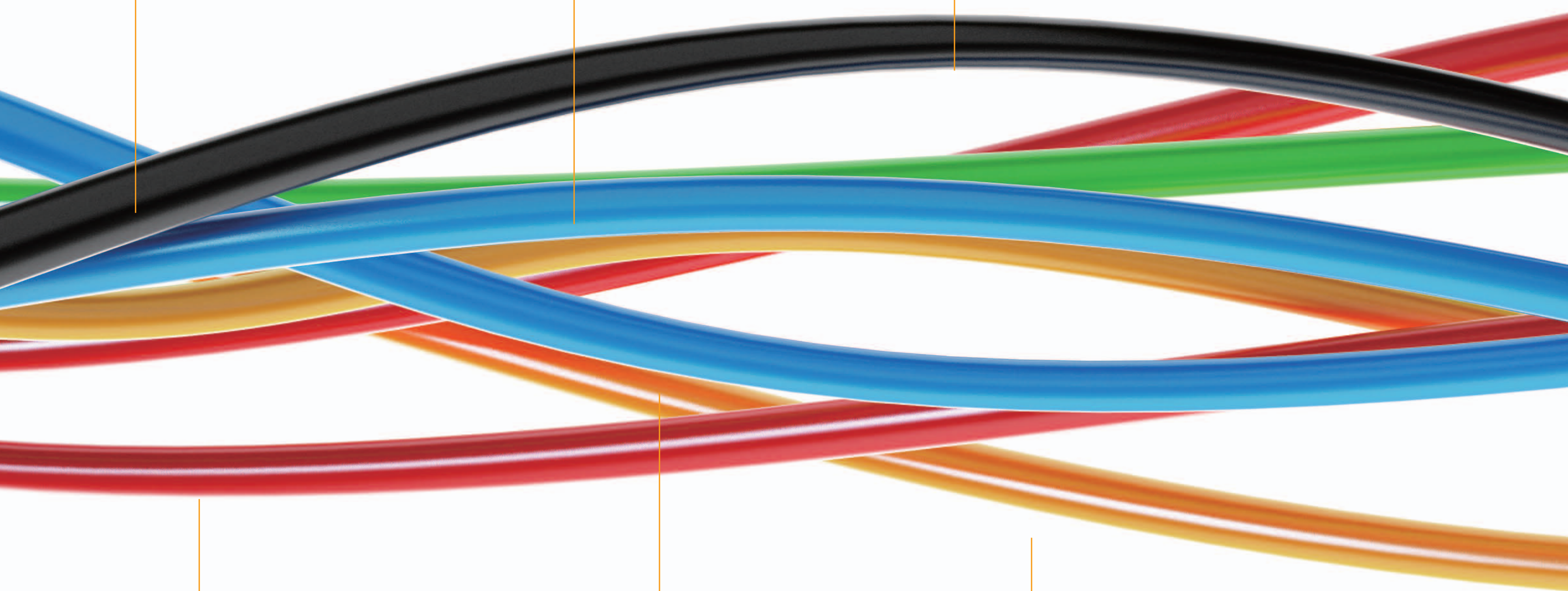
Wuxi Jiangnan established to engage in the manufacturing and sales of wire and cable products

2004

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

2006

Nuclear power plant cables passed the inspection test



2000

The Group's brand recognized as **Jiangsu Province Renowned Trademark**

2005

The Group's products accredited as **National Free of Inspection Products**

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

2013

Acquired 100% interest of a **special power cable** manufacturer in China

South Africa's subsidiary commenced **commercial production** of wires & cables

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"). The Group's products are widely used in power industry and general industries (including metals and mining, oil and gas, transportation, shipbuilding, construction and others).

The Group offers over 10,000 products under four main categories, namely power cables, wires and cables for electrical equipment, bare wires and rubber cables. The Group's 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.

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

The Group has strong research and development capabilities. The Group established a research workstation and a state postdoctoral research workstation jointly with the academician of the China Academy of Engineering and China Academy of Science. The Group has also participated in the drafting and formulating of 32 national industry standards for the manufacturing processes for power cables, wires and cables for electrical equipment and bare wires. One of the standards

Corporate Profile

which the Group participated is the standard for the rated voltage 0.6/1kV rubber insulation and sheathing wind power with twist-resistant flexible cables. This will be the first standard for wind power cables in China. The Group had obtained 117 patents that are material to the Group's business in the PRC. Jiangnan Group's subsidiaries in China, namely, Wuxi Jiangnan Cable Co. Ltd. and Jiangsu Zhongmei Cable Co. Ltd., are endorsed as High and New Technology Enterprises 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 and 2014 respectively. The Group's 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.

With the Group's high quality products, the Group's renowned brand and good reputation, strong research and development capabilities, as well as manufacturing and production capabilities, the Group has maintained a solid and wide customer base including certain industry leaders in their respective industry. The Group has 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. The Group is 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.

The Group's products have been exported to more than 50 countries. In particular, the Group is 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. The Group began to supply its products to Eskom in 2007 and the Group is 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. The Group also exports to reputable customers overseas such as Power Works Pte Limited in Singapore and the National Power Transmission Corporation under the Vietnam Electricity.

Corporate Information

Executive Directors

Rui Fubin *(Chairman, Chief executive officer and Chairman of the Corporate Governance Committee)*
Chu Hui
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.
Level 22, Hopewell Centre
183 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

Stock Code

1366

Website

www.jiangnangroup.com

Corporate Calender

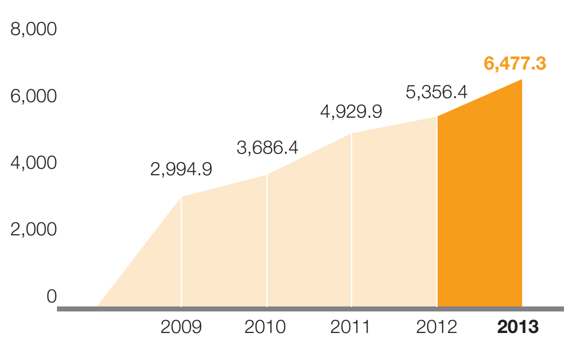
Annual General Meeting 23 May 2014

Financial Highlights

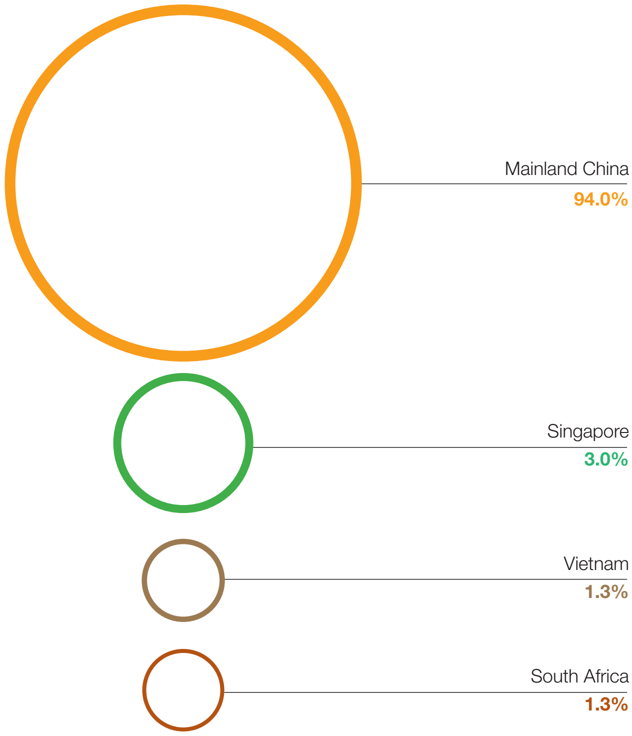
	Year ended 31 December				
	2009	2010	2011	2012	**2013**
RESULTS (RMB'000)					
Group Revenue	2,994,966	3,686,366	4,929,876	5,356,363	**6,477,302**
Profit for the year attributable to owners of the Company for the year	163,556	231,819	317,445	376,120	**503,523**
ASSETS AND LIABILITIES (RMB'000)					
Non-current assets	346,604	408,397	411,993	559,597	**896,492**
Current assets	2,163,324	2,661,182	3,773,360	4,727,050	**6,660,794**
Current liabilities	1,929,375	2,102,216	2,977,837	3,373,271	**5,203,378**
Non-current liabilities	5,933	91,630	25,505	32,579	**68,252**
FINANCIAL RATIOS					
Net margin (%)	5.5%	6.3%	6.4%	7.0%	**7.8%**
Current ratio (times)	1.12	1.27	1.27	1.40	**1.28**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents) (re-stated)	8.1	11.9	16.3	16.3	**20.4**
Net assets (HK$) (re-stated)	0.28	0.45	0.61	0.81	**0.93**

Total Revenue

(RMB million)



Geographical Combination



Chairman's Statement

Results

In 2013, because of the slowed down in global economy, vibrating Chinese economy and slippage of copper and aluminum prices, wire and cable industry was full of challenges. However, because of the Group's solidarity, both of the revenue and the profit of the Group reached record high. The Group's turnover reached RMB6,477.3 million, grew by 20.9%. The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2013 was RMB503.3 million, representing an increase of 33.9% over 2012.

Final dividend

The board of directors of the Company (the "Board") recommended a final dividend of HK3.3 cents per share for the year ended 31 December 2013, which is subject to shareholders' approval in the forthcoming annual general meeting of the Company to be held on 23 May 2014.

Business Review

In the first half of 2013, under the influence of slow down in global economy, the China economy was in gloomy outlook. However, since Premier Li Keqiang reassured the growth rate target at 7.5% in the summer of 2013, the Chinese economy started to rebound in the second half and recorded an annual growth rate of 7.7%. Despite the ups and downs of the economy, China is still one of the fastest growing countries in the world.

In 2013, China suffered from credit crunch. Banks in China tended to lend to those corporations with good reputation, larger business scale and more stable business. Small and medium enterprises encountered difficulties in borrowing money under credit tightening. This had adverse impact to the small and medium players of the wire and cable industry as the industry is working capital intensive and relies heavily on bank borrowings to finance its operations. Due to banks tightening their liquidity, there were some enterprises in the industry forced to halt their production or even shut down their business. On the other hand, the market demand for wires and cables were still increasing. This disequilibrium in demand and supply however favoured large scale manufacturers like the Group and other larger manufactures were able to seize larger market shares by squeezing those competitors without sufficient liquidity out of the market. Industry consolidation was one of the reasons for the revenue of all product lines of the Group reached record high in 2013.

A series of merger and acquisitions in the wire and cable industry also accelerated the industry consolidation. The Group completed the acquisition and acquired 江蘇鋥陽投資有限公司 (in English for identification purpose only, Jiangsu Zengyang Investment Company Limited ("Jiangsu Zengyang"). Jiangsu Zengyang's principal subsidiary, 江蘇中煤電纜有限公司 (in English for identification purpose, Jiangsu Zhongmei Cable Company Limited) ("Zhongmei Cable"), is one of the leaders in rubber cable manufacturing. Rubber cable is a type of special cables, which the flexibility is higher than the general power cables using plastic. Because of its flexibility, rubber cables are widely used in mining, wind power electricity generation and ship building industries. The gross profit margin for the rubber cables are 60-70% higher than that of general cables. The Group believes synergy can be yielded after the acquisition.

After the acquisition, the Group was further benefited by the economies of scale in production. The Group's production efficiency increased as a result of better optimization of the production facilities. Moreover, the enlarged business enabled the Group to negotiate better borrowing terms with banks. For example, in December 2013, the Group signed an agreement with Jiangsu Bank and Bank of Communication for RMB300 million of syndicated loan and RMB1 billion unfacilitated credit line. The loan was for re-financing the Group's current loan portfolio, in order to lower the finance cost.

Chairman's Statement

Power cables continued to be the Group's key revenue contributor, accounted for approximately 65.5% of total revenue in 2013. The rubber cables is the Group's new turnover segment, though accounted for only 5.8% of the total revenue in 2013, it accounted for more than 9% of total gross profit. This is because the profit margin of rubber cable is much higher than general cables.

1. Mainland China Market

Despite Chinese economy going through ups and downs in 2013, the pace of development of power cable and wire industry was quite stable. The total production value of the industry in China exceeded RMB1,200 billion and continued to rank at the top in the world.

Though Chinese economy is the second largest one in the world, the average electricity consumption per capita in China was still far less than those in other developed countries. One of the reasons was due to underdevelopment of the country's grid network. Therefore, PRC will kept investing heavily in power generation, distribution and transmission. In 2013, the State Grid Corporation of China ("SGCC") planned to invest RMB318.2 in gird building but ended up invested RMB337.9 billion. In 2013, the China Southern Power Grid ("CSG") invested 63.2 billion in gird building.

Between September 2010 and November 2013, the SGCC and the CSG had invested RMB276 billion in total to transform and upgrade the grid systems in the rural areas, in order to provide stable and sufficient electricity supply to the rural areas. The focus for the rural gird transformation include replacing the facilities in the current transmission and distribution systems with those can support higher-rated voltage, and extend the coverage of the grids to those families which had no supply of electricity in the past. A total of 167,000 families benefited from the rural grid reform. In 2013 alone the SGCC invested 47.8 billion in rural gird upgrade and transformation. The above investments by the SGCC and the SGC stimulated the Group's business in 2013. The Group was awarded with contracts with total contract sum over RMB500 million in the first and second batch of rural grid material tenders offered by the SGCC.

According to the research report conducted by Bloomberg, the investments in the smart grid in China exceeded USD4.3 billion (approximately RMB25.8 billion), which surpass the investments by the United States in the US market. China now became the largest market for the smart grid products.

The demand for high-rated voltage cable products, in 2013 increased as a result of large scale construction and upgrade of the grids in the urban area, and the development of ultra-high voltage gird. For 66/110 kV or above AC grid, totally 59,000 km grid lines were under construction and 48,000 km grid lines already started operation in 2013. In 2014, the above two figures is expected to be 61,000 km and 51,000 km respectively. In 2013, as a reflection of the Group's excellent high-end product quality, the Group won the contracts for the high and ultra-high rated voltage grid projects.

As at end of 2013, there were 87 lines of urban rail operating in 19 cities in China, with total lengths of 2,539 km. 36 cities are approved to construct the urban rail, and it is expected that in 2020, the total lengths of urban rail in China will become 6,000 km. Between 2013 and 2020, the investment in urban rail will be around RMB4,000 billion. The Group's products are also extensively used in the urban rail projects.

Chairman's Statement

Apart from the grid companies and the urban rail companies, the Group continued to broaden its client bases. The Group's clients can be found in almost every industry, which include many famous corporations, such as Wanda Group in property sector, Beijing Capital International Airport in infrastructure sector, Huaibei Mining Industry Group in mining sector and CSR Zhuzhou Institute Co. Ltd in wind power electricity sector.

To cater the increasing need for aluminum alloy products, the workshops of the Group's wholly owned subsidiary, Wuxi New Suneng Composite Material Company, had commenced production in the first quarter of 2013. The workshops mainly produced aluminum rods and double-capacity aluminum alloy conductors. The production capacity for the above two products are 70,000 tonnes and 30,000 tonnes per year respectively.

The Group's strong product research and development capabilities are crucial to its successes in the industry. In 2013, the Group developed many new products which had been verified by the related government departments as the products reach world-class standard. Among the new developments, there are several aluminum alloy related products, including "Greased steel core aluminum alloy stranded wires" (油脂鋼芯鋁合金絞線) and "Aluminum extruded insulation core chain armored power cable" (鋁合金芯擠包絕緣連鎖鎧裝電力電纜). As at 31 December 2013, we had 195 engineers and technicians working on research and development projects and took part in setting up 32 national and industry standards. We applied for 117 patents and obtained 37 high-tech products in Jiangsu Province.

2. Overseas Market

The Group's workshop in South Africa had commenced production in 2013. The tender process of a 5 years contract with the Group's major customer, Eskom Holdings Ltd, in cable and wire products was postponed, which resulted in decrease in revenue contributed to the Group by South Africa in 2013. However, we have put extra effort in enhancing the cooperation with the Power Works Pte Ltd. in Singapore. We also opened up new markets in Vietnam and Ethiopia. The above efforts turned into awesome revenue which was able to compensate the decrease in revenue in South Africa market. The revenue from overseas market in 2013 remained the same as that in 2012.

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, 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. The directors of the Company (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.

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 2013, the Group had bank balances of RMB1,682.6 million and had approximately RMB807.6 million of pledged bank deposits. The Group had total bank borrowings of approximately RMB2,922.1. The Group had sufficient liquidity, and was in a sound financial position. The Group also had sufficient committed but unused banking facilities of approximately RMB886.5 million as at 31 December 2013 to meet the need of the Group's business development.

Chairman's Statement

Business prospects

Market conditions

2014 will be a crucial year for economic development in China. By means of sagacious macro-control measures implemented by the Chinese Government, the GDP growth rate will be sustained at 7.5%.

2014 is destined to be a remarkable year for the grids development in China. The SGCC planned to increase investment to RMB381.5 billion, representing a growth of 13% as compare to 2013. After Premier Li Keqiang "declared war" to haze pollution in the closing meeting of the second annual session of China's 12th National People's Congress ("NPC"), the development of ultra-high voltage ("UHV") grid and smart grid, which are the foundations of renewable energy, will accelerate.

For the UHV grid development, the SGCC is seeking approval for commencing the construction of "6 A.C., 4 D.C." lines in 2014. The SGCC will also try to include the UHV projects namely Huainan — Nanjing — Shangha, Xi Meng — Zaozhuang, West Inner Mongolia — Tianjin South, and Jingbian — Weifang into the "National air pollution prevention policy" (國家大氣污染防治行動實施方案). The Chairman of SGCC, Liu Zhenya, stated that "3 horizontal, 3 vertical" and "5 horizontal, 5 vertical" lines of UHV grid will be completed by 2015 and 2020 respectively. With production qualification and experience, the Group has been producing high and ultra-high rated voltage products. With production capacity of 220–550kV high and ultra-high cables for 1,000 km a year and 4 production lines of aluminum rod and double capacity conductors, the Group is expected to be benefited in China's development of UHV grid.

For grids used for electricity distribution, the investment in 2014 will reach RMB158 billion. The SGCC will focus in completing the transformation of 30 core cities' electricity distribution network and the construction of automated distribution system.

Urbanization will become the momentum for economic growth. According to the research conducted by China Academy of Social Sciences ("CASS"), the process of urbanization will continue for the coming 20 years at fast pace. This creates gigantic demand for infrastructure, energy and housing. It is expected the urbanization rate will reach 55%, 60% and 70% in 2015, 2020 and 2033 respectively. Assuming the investment per capita for basic infrastructure spending is RMB120,000, for every 1% in the urbanization rate, RMB1,500 billion is needed for the investment in basic infrastructure. Because wires and cables are the irreplaceable components in infrastructure and accommodation buildings, the demand for power cables and wires will grow stably in the coming 20 years.

Another catalyst for growth in investment is the mixed ownership enterprise reform. In China's 12th National People's Congress (NPC) in 2014, the Government Work Report indicated clearly state enterprises in seven areas industries will be opened for the investment of private capital. Those seven areas are finance, oil and gas, power generation, railway, telecom, natural resources and public utilities. The investment from the private capital in the above areas will stimulate the demand of power cables and wires.

The Group is very optimistic towards the growth in the overseas markets in 2014. It is expected the 5-year procurement contract by Eskom in South Africa is going to be effective in 2014, which will result in a significant growth in sales compared with 2013. The Group will put more effort to enhance the existing client relationships. The Group will also strive to open up more markets in Africa, Southeast Asia and South America, the Group's track record and reputation built in other countries definitely help the Group to achieve this. Moreover, the demands for aluminum products from overseas markets are keen. Therefore, aluminum products will become one of the Group's key products for the overseas markets.

Chairman's Statement

Business Strategies

The Group will continue to enrich the Group's product offering with more high-end products, strengthen the Group's research capabilities, react to market demand and provide products with high price to quality ratio. The Group will continue to improve its service to electric power companies.

To thrive in the drastic consolidation, the Group will put more effort in the strategic investment, merger and acquisition and restructure. In 2014, the Group plans to acquire at least one company producing special cables to increase its production capabilities. The acquisition targets will be those industry players with complementary products and technologies that can help to expand the Group's market share.

The Group is one of the largest exporters of power cable and wire products in China. With better brand recognition in the world and more experience in international trading, the Group will strengthen the export business this year. The Group targets to increase the proportion of export in the Group's revenue to 30% in three to five years. The Group will also explore the opportunities of acquiring targets which can help the Group to open up the new overseas markets.

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 aluminum 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 the Group's 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 2013, the Group's revenue recorded RMB6,477.3 million, representing an increase of approximately 20.9% as compared with the same period in 2012 and profit for the year attributable to owners of the Group amounted to RMB503.5 million, representing an increase of approximately 33.9% as compare with the same period in 2012. The Group's gross profit margin for the year ended 31 December 2013 maintained at approximately 15.4% (2012: 15.7%). Basic earnings per share for the year was RMB16.36 cents (2012: RMB13.09 cents), representing an increase of approximately 25.0%.

Market Review and Business Review

Though the prices of copper and aluminum dropped as compared to the corresponding period in 2012 which off set some of the Group's revenue growth, the revenue of the entire product lines of the Group recorded an increase. Power cables of the Group remained the main source of revenue, contributed approximately 65.5% of the total revenue and continue to perform well. In addition, rubber cables, a new business segment, also contributed approximately 5.8% of the Group's revenue. The three key factors driving the growth of the Group's business are as follows:

First, during the year under review, in respect of rural reform, the central government put huge effort in establishing the "three-rural" mechanism to achieve a steady long-term growth in agriculture, and continued to put agricultural and rural areas as an important capital investment orientation of the country in 2013. The growth of average income of farmers remained higher than that of urban dwellers for the fourth consecutive year. More effort will be put into the constructions of infrastructure in rural areas. Projects improving livelihood in the rural areas will be accelerated. These will create strong demand for the infrastructures in rural areas such as roads, reform of electricity grid network and reconstruction of housing. All these are directly related to the upgrade and transformations of the power facilities, forming a long-term momentum for the demand of wire and cable industry. The Group has won tenders of the second batch of power cables and wires supporting rural power grid construction by the State Grid Corporation of China with a total sum of RMB260 million. The tenders cover a range of products, which include power cable, aluminum conductor steel-reinforced cable, aerial insulated conductor and bunched conductor. The tender projects cover 10 provinces or autonomous prefectures, which include Zhejiang, Sichuan, Henan, Ningxia, Anhui, Jiangsu, Shandong, Xinjiang, Hubei and Hebei. Together with the tenders won in the first batch of power cables and wires supporting rural power grid construction in 2013, the Group acquired contracts with an aggregate amount of RMB500,000,000 during the two public tenders.

Secondly, the pace of urbanization in China is increasing which triggers a large-scale infrastructure investment, and in turn bringing up the demand for various kinds of power cable products. Estimation provided by Chinese National Bureau of Statistics shows that for every 1% growth of urbanization, an estimated investment on urban infrastructures of RMB1,500 billion (base on per capita spending of RMB120,000) would need to be deployed and used. Constructions of infrastructures brought about by the development of urbanization will stimulate the persistent growth of demands for different kinds of wires and cables in the domestic market. Products commonly used for urbanization include wires used in property constructions, cables used in the electrical devices, cables used in reconstructing and establishment of rural electricity grid networks and cables used in rail transits.

The third factor is construction of high-voltage electricity grid network. The demand of high-rated voltage power cables increases as the large-scale construction and reconstruction of urban electricity grid network further expand. As the construction of new towns in China accelerates, the reconstruction of the existing rural electricity grid network and the establishment of new grid network provide a brilliant development opportunity for the power cable enterprises in China. At present, the number of manufacturers involved in high-voltage power cable production is limited since all related products are subject to the strict testing certification. In the area of high-end products, the strength of the Group lies in the reputation of its brand and the quality of its products, while price is no longer the first and sole consideration.

Management Discussion and Analysis

Driven by urbanization, the construction of high-voltage electricity grid network and the launch of infrastructure construction projects, the Group won numerous tenders for contracts relating to high-voltage and ultra-high voltage wires and cables in the second half of 2013, among which, the aggregate amount of the representative large contracts signed with different enterprises was more than RMB400 million. Customers include 廈門聯商物流有限公司, State Grid Shandong Electric Power Company, State Grid Tibet Electric Power Company Limited, State Grid Sichuan Province Electric Power Company, State Grid Jibei Electric Power Company Limited, 廣西兆泰送變電工程集團有限公司, Dalian Metro, Line 2 of Wuxi Metro, Shandong Province Construction Project Bidding Center — purchasing project of power cable engineering materials in West Railway Area (西客站片區) and other main projects, among which approximately RMB25.33 million were spent on high voltage and ultra-high voltage cables, approximately RMB80.84 million on functional cables and the remaining RMB206 million on medium and low voltage cables and general cables. In October, 2013, the Group entered into several contracts for the ultra-high voltage power cables with the subsidiaries of the State Grid Corporation of China in Nanjing, Xuzhou, Nanchang and Baofeng, and the total contract sum was approximately RMB91.0 million. In October, 2013, the Group won another tender for 10kV power cable of Jiangsu User Contribution Second consultative inventory project, with a contract sum of approximately RMB46.0 million.

As for the movement of copper price, during the year under review, London Metal Exchange Limited ("LME") prices of copper fluctuated in the range of USD6,637.5 to USD8,242.5 per tonne with an average of approximately USD7,322 per tonne while LME prices for the year ended 31 December 2012 were trading on average USD7,950 per tonne. Average LME prices for aluminum for the year ended 31 December 2013 were trading at approximately USD1,846 per tonne while average LME prices for aluminum during the year ended 31 December 2012 were trading at approximately USD2,021.6 per tonne. Both average prices of copper and aluminum for the year under review were lower than that in 2012.

At present, the Group's products have been exported to more than 50 countries and regions. In 2013, the Group successfully opened up the markets in Vietnam and Ethiopia. In September 2013, the Group won the tenders of the supply of Aluminum Conductor Steel-Reinforced cable ("ASCR") to National Power Transmission Corporation under the Vietnam Electricity, with a contract sum of USD14.1 million (approximately RMB86.5 million), the supply of All Aluminum Alloy Conductor ("AAAC") to Ethiopian Electric Power Authority with a contract sum of USD3.6 million (approximately RMB22.3 million) and the supply of power cable to Power Works Pte Limited of Singapore, with a contract sum of approximately SGD53 million (approximately RMB255 million). The new 5-year agreement with Eskom will be effective in 2014. Besides, due to the higher level of acceptance for aluminum alloy cables in overseas markets, the Group expect the related product will become one of the Group's major products selling overseas.

Wuxi New Suneng Composite Material Co., Ltd. has commenced production in January 2013 and the estimated full production capacity for aluminum alloy rods and double capacity conductors were 70,000 tonnes and 30,000 tonnes per annum respectively. The Group established a plant in South Africa in 2012 and the production was duly commenced in the second half of 2013. In 2014, the Group will continue to develop the strength in the area of high-end products. In view of the potential growth of ultra-high voltage cables, the Group has a production facility with a annual production capacity of approximately 1,000 km for high and ultra-high voltage cables with rated voltage of 220–500 kV in its Yixing production base. In 2014, additional production lines for ultra-high voltage cables of 900 km per annum will be built and are expected to commence production by the end of 2014. The increase in production capacity will help the Group becomes more competitive in the market. It is expected that the Group will become one of the leaders in producing high and ultra-high voltage cables in China. The Group will continue looking for acquisition targets which produce special cable products and possess quality clientele. This will not only increase the Group's production capacity but also will generate additional income to the Group. The Group is considering various sources of funding for acquisition including placing or debt financing.

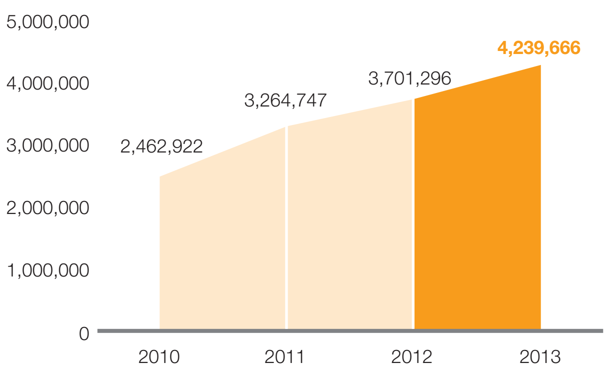
Management Discussion and Analysis

Turnover

Sales of power cables, the Group's principal products in 2013 have recorded continuous growth with turnover of RMB4,239.7 million, and increase of 14.5% (2012: RMB3,701.3 million) and accounting for approximately 65.5% of the Group's total turnover. The sales volume for power cables increased from 46,866 km in 2012 to 69,701 km in 2013 or an increase of approximately 48.7%. The average selling price of power cables dropped from RMB78,976 per km in 2012 to approximately RMB60,826 per km in 2013 which was mainly attributable to the increase in sales of lower-end general cable products produced and sold by Zhongmei Cable and the decline of copper and aluminum prices in 2013.

Turnover of power cables

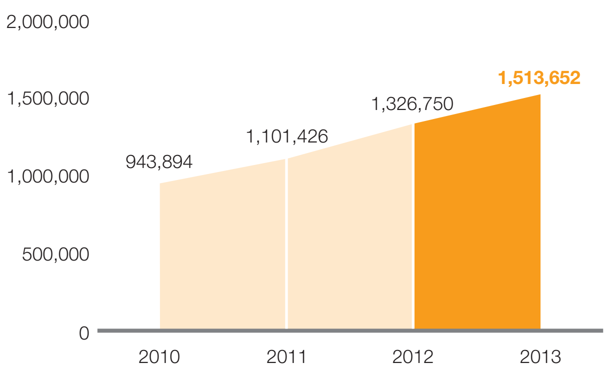
(RMB'000)



Sales of wires and cables for electrical equipment in 2013 also recorded growth with turnover of RMB1,513.7 million, an increase of 14.1% (2012 of RMB1,326.8 million) and accounting for approximately 23.4% of the Group's total turnover. The sales volume for wires and cables for electrical equipment increased from 550,246 km in 2012 to 708,708 km in 2013 or an increase of approximately 28.8%. The average selling price of wires and cables for electrical equipment dropped from RMB2,411 per km in 2012 to approximately RMB2,136 per km in 2013 which was mainly attributable to the decrease in raw material price of copper and aluminum in 2013.

Turnover of wires and cables for electrical equipment

(RMB'000)

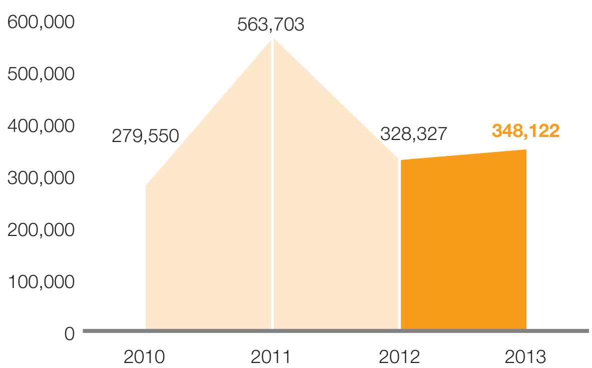


Management Discussion and Analysis

Sales of bare wires also recorded growth with turnover of RMB348.1 million, an increase of 6.0% (2012 of RMB328.3 million) and accounting for approximately 5.4% of the Group's total turnover. The sales volume for bare wires increased from 18,810 tonnes in 2012 to 26,377 tonnes in 2013 or an increase of approximately 40.2%. The increase in sales volume of bare wires was mainly attributable to the increase in demand of aluminum alloy rods and double capacity conductors and also new orders from emerging countries such as Vietnam and Ethiopia.

Turnover of base wires

(RMB'000)



In view of the potential growth for the use of aluminum alloy rods in cables and double capacity conductors in 2012, the Group has 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 helped increase the Group's turnover and improve the Group's gross profit margin, especially for bare wires.

Sales of rubber cables reached RMB375.9 million (2012: nil). The sales volume of rubber cables achieved 19,328 km in 2013. The increase of turnover of rubber cables was mainly contributed by the turnover of Jiangsu Zhongmei Cable Co. Ltd. ("Zhongmei Cable"), the principal subsidiary of Jiangsu Zengyang Investment Company Limited ("Jiangsu Zengyang") which the Group acquired in July 2013.

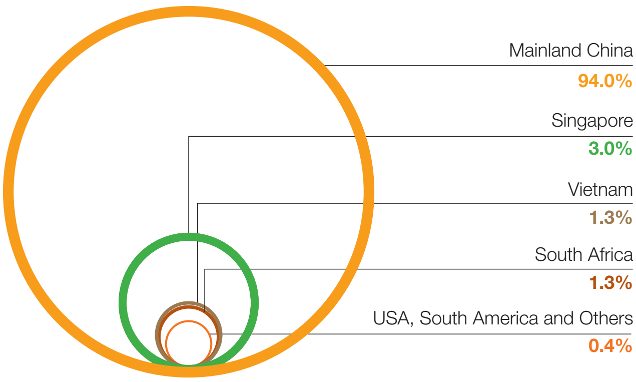
Management Discussion and Analysis

Revenue by geographical markets

The PRC market remains the Group's key market. Sales to the PRC market in 2013 increased by approximately 22.8% to RMB6,088.4 million and accounted for approximately 94.0% of total revenue, the increase was primarily due to increase in sales volume of all of the Group's product lines as a result of the Group's leading market position in the industry which was able to capture market consolidation opportunities by taking up market share of smaller peers during difficult operating environment in China.

Overseas markets revenue remained stable. Sales to South Africa dropped approximately 62.4% as a result of one of the Group's major customers, Eskom Holdings Limited postponed her procurement process through tender during 2013. The decrease in sales to South Africa was compensated by approximately 102.8% increase in aggregated sales to Power Works Pte Limited of Singapore and National Power Transmission Corporation of the Vietnam Electricity as compared to 2012. Sales to Singapore and Vietnam in 2013 in aggregate amounted to RMB282.9 million (2012 of RMB139.5 million).

Geographical Combination 2013



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 96.0% of cost of goods sold in 2013, of which copper and aluminium are the major raw materials accounting for 80.1% of cost of goods sold in 2013. Direct labour costs remained stable and accounted for 1.0% of total cost of goods sold in 2013. The balance of 3.0% of the cost of goods sold in 2013 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.

Management Discussion and Analysis

Gross profit and gross profit margin

The gross profit increased by RMB158.0 million, or approximately 18.8%, from RMB842.4 million for the year ended 31 December 2012 to RMB1,000.4 million for the year ended 31 December 2013. Gross profit margin slightly decreased from approximately 15.7% for the year ended 31 December 2012 to approximately 15.4% for the year ended 31 December 2013. The increase in gross profit is in line with the increase in turnover.

Gross profit margin for power cables decreased by approximately 0.3%, from approximately 17.1% for the year ended 31 December 2012 to approximately 16.8% for the year ended 31 December 2013 due to increase in sales of lower-end general cable products by the Group as a whole after the acquisition of Zhongmei Cable. Gross profit margin for wires and cables for electrical equipment also decreased by approximately 3.5%, from approximately 13.6% for the year ended 31 December 2012 to approximately 10.1% for the year ended 31 December 2013 due to the sale of a different product mix with lower profit margins. The gross profit margin for bare wires increased by approximately 3.5% from approximately 9.1% for the year ended 31 December 2012 to approximately 12.6% for the year ended 31 December 2013 due to the contribution from higher-margin products such as high rated voltage aluminum alloy conductors.

Profit for the year attributable to owners of the Company

Profit for the year in 2013 increased by approximately 33.9% from RMB376.1 million for the year ended 31 December 2012 to RMB503.5 million. The increase was in line with the increase in turnover as a result of business growth and sales contributed by the Group's newly acquired wholly-owned subsidiary, Jiangsu Zengyang. In addition, there was a gain on bargain purchase incurred in 2013 due to the acquisition of Jiangsu Zengyang.

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 increased by RMB15.9 million, or approximately 16.8%, from RMB94.1 million for the year ended 31 December 2012 to RMB110.0 million for the year ended 31 December 2013. The increase in selling and distribution costs was mainly due to additional selling and distribution costs incurred by Jiangsu Zengyang and its subsidiaries ("Zengyang Investment Group") which the Group acquired in 2013. Selling and distribution expenses as percentage of turnover remained stable at approximately 1.7% in 2012 and 2013.

Administrative expenses

Administrative expenses increased by RMB46.6 million, or approximately 54.2%, from RMB86.0 million for the year ended 31 December 2012 to RMB132.6 million for the year ended 31 December 2013, mainly due to increase in office expenses, salaries and travel expenses incurred during the year as a result of inclusion of the post acquisition costs of Zengyang Investment Group, which the Group acquired in 2013, and the increase in business involvement overseas which drove the travel expenses up.

Management Discussion and Analysis

Other expenses

Other expenses which composed of research and development cost and costs related to the acquisition of Jiangsu Zengyang decreased by approximately 45.6% from RMB32.2 million for the year ended 31 December 2012 to RMB17.5 million for the year ended 31 December 2013, primarily due to the one-off expenses related to initial public offering incurred in 2012 no longer exist in 2013.

Gain on bargain purchase

Gain from a bargain purchase of RMB42.3 million was recognised upon completion of the acquisition of Jiangsu Zengyang in 2013. It represented the net assets acquired from the acquisition on the completion date exceeding the consideration transferred.

Finance Costs

Finance costs increased by approximately 7.2% from RMB182.2 million in 2012 to RMB195.3 million in 2013 mainly due to the increase in bank borrowings required for financing the enlarged business operations after the acquisition of Jiangsu Zengyang during the year. Finance costs as percentage of turnover reduced from approximately 3.4% in 2012 to 3.0% in 2013 as a result of financial integration which the Group was able to a lower the average borrowing interest rate in 2013.

Taxation

The Group's taxation increased by RMB22.1 million, or approximately 27.8%, from RMB79.7 million for the year ended 31 December 2012 to RMB101.8 million for the year ended 31 December 2013. This increase in taxation was mainly due to an increase in taxable income. The effective tax rate decreased from approximately 17.5% in 2012 to approximately 16.8% in 2013.

Management Discussion and Analysis

Staff number and remuneration

The Group's remuneration policy is based on position, duties and performance of the employees. The Group's 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 the Group's employees. The performance appraisal of the Group's senior management is conducted annually, that of the department head is conducted quarterly while that of the Group's remaining staff will be conducted monthly. The performance appraisal is supervised by the Group's performance management committee.

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 2013, we had 2,841 employees with 2,793 based in the PRC, 45 based in South Africa and 3 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	269
Finance and accounting	71
Procurement	28
Production and quality assurance	1,965
Sales and marketing	508
Total	2,841

Notes:

1. Four independent non-executive Directors are not included because they are not the Group's employees.

2. There are 195 engineers and technicians working on the Group's research and development projects.

3. 90 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 2013, the basic earnings per share increased to HK20.4 cents (or RMB16.36 cents), as compared with HK16.3 cents (or RMB13.09 cents) for the year ended 31 December 2012. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB503.5 million (2012: RMB376.1 million) and on the weighted average number of 3,077,200,000 (2012: 2,873,669,944) ordinary shares. The weighted average number of ordinary shares in 2012 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 2012 and 2013.

Management Discussion and Analysis

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.

Financial position of the Group

1. Shareholders' Equity

The Group maintains a solid financial position, the Shareholders' equity reached RMB2,285.7 million as at 31 December 2013 from RMB1,880.8 million as at 31 December 2012, an increase of approximately 21.5%. This was mainly attributable to the total comprehensive income generated in 2013 added to equity attributable to owners of the Company.

2. Assets

As at 31 December 2013, total assets of the Group amounted to RMB7,557.3 million (31 December 2012: RMB5,286.6 million).

Non-current assets increased by approximately 60.2% from RMB559.6 million as at 31 December 2012 to RMB896.5 million as at 31 December 2013. The increase was mainly due to the assets acquired under the acquisition of Jiangsu Zengyang.

Current assets as at 31 December 2013 increased by approximately 40.9% from RMB4,727.1 million as at 31 December 2012 to RMB6,660.8 million as at 31 December 2013 mainly due to increase in inventories and receivables as a result of the assets acquired from the acquisition of Jiangsu Zengyang.

As at 31 December 2013, the Group had bank balances and cash of RMB1,682.6 million (2012: RMB1,137.7 million). We also had pledged bank deposits of RMB807.6 million (2012: RMB755.1 million). Majority of bank balances and cash were in Renminbi ("RMB").

3. Borrowings

As at 31 December 2013, the total borrowings of the Group consist of bank borrowings amounted to approximately RMB2,922.1 million (2012: RMB1,934.5 million), of which 100% was repayable within one year. As at 31 December 2013, the extent of fixed interest rate bank borrowings amounted to RMB2,528.3 million (2012: RMB1,380.9 million).

As at 31 December 2013, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balances and cash and pledged bank deposits) of RMB431.9 million over total equity of RMB2,285.7 million, increased from approximately 2.2% as at 31 December 2012 to approximately 18.9% as at 31 December 2013. The increase was due to the increase in bank borrowings outstanding as at 31 December 2013 to cope with increase in inventories level for production.

As at 31 December 2013, the gearing ratio or total debt to total assets ratio of the Group increased to 38.7% from 36.6% in 2012. The increase was due to increase in bank borrowings outstanding as at 31 December 2013.

In addition, the Group had sufficient committed but unused banking facilities of approximately RMB886.5 million to meet the need of the Group's business development.

Management Discussion and Analysis

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 2013 were RMB194.1 million, RMB175.4 million and RMB398.3 million respectively (2012: RMB96.8 million, RMB42.8 million and RMB434.1 million) respectively. Please refer to Note 24 to the Consolidated Financial Statements for details of charges on Group assets. Borrowing costs capitalised during the year ended 31 December 2013 amounting to RMB5.4 million.

Of the Group's total bank borrowings, majority of short-term borrowings were made by the Group's subsidiaries, Wuxi Jiangnan Cable Co. Ltd. and Jiangsu Zhongmei 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 is planning to leverage on the Hong Kong capital market platform to obtain lower cost funding. 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 2013, the five largest trade and bills receivables represent only approximately 8.3% (2012: 9.5%) 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.

Management Discussion and Analysis

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 2013, sales denominated in currencies other than the functional currency of the group entity which it relates represented approximately 6% (2012: 7%) of the Group's 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 2013, 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 2013. 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.

Acquisition

On 19 April 2013, 無錫江南電纜有限公司 (in English for identification purpose only, Wuxi Jiangnan Cable Co., Ltd) ("Jiangnan Cable"), a wholly-owned subsidiary of the Company as the purchaser, entered into a share transfer agreement (the "Agreement") with eight individual parties (collectively referred to as the "Vendors"), pursuant to which, Jiangnan Cable conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the entire equity interest in 江蘇鋥陽投資有限公司 (in English for identification purpose only, Jiangsu Zengyang Investment Company Limited) ("Jiangsu Zengyang") and its subsidiaries (the "Zengyang Investment Group") at the consideration ranging from RMB422,075,000 to RMB500,000,000 (the "Acquisition"). Jiangsu Zengyang is an investment holding company and its principal subsidiary, 江蘇中煤電纜有限公司 (in English for identification purpose only, Jiangsu Zhongmei Cable Co., Ltd.) ("Zhongmei Cable") is engaged in the manufacture and sale of special types of wires and cables in the PRC. In the opinion of the Directors, the Acquisition will enable the Group's continual expansion of its wires and cables operations in the PRC. The details of the Acquisition can be referred to the circular issued by the Company dated 24 June 2013 (the "Circular").

Included in the Vendors are (i) Mr. Chu Hui, who is the son-in-law of Mr. Rui Fubin (the chairman of the Board, the chief executive officer and an executive Director) and the brother-in-law of Mr. Rui Yiping (an executive Director); (ii) Mr. Chu Kaiqiang, who is the father of Mr. Chu Hui; (iii) Ms. Chu Xi Feng, who is the sister of Mr. Chu Hui; and (iv) Mr. Zeng Guoming, who is the uncle of Mr. Chu Hui. Each of the other Vendors is a third party independent and not connected with the Company and any of its connected person.

Management Discussion and Analysis

In light of the connected relationship between one of the Vendors, Mr. Chu Hui on one hand, and Mr. Rui Fubin and Mr. Rui Yiping on the other, the Acquisition also constituted a connected transaction under Chapter 14A of the Listing Rules.

The final consideration is calculated based on a specified formula as set out in the Agreement (please refer to the Circular for details) which is based on the actual profit of the Zengyang Investment Group achieved for the year ended 31 December 2013. The Acquisition was approved by the shareholders of the Company and completed in July 2013. Upon completion and pursuant to the Agreement, an initial payment of RMB422,075,000, being the minimum amount of the consideration was paid to the Vendors.

With reference to the unaudited management accounts of the Zengyang Investment Group for the year ended 31 December 2013, in the opinion of the Directors, the target profit of the Zengyang Investment Group for the year ended 31 December 2013 had been achieved and the final consideration shall be RMB500,000,000. The balance of RMB77,925,000 being the outstanding consideration will be paid in accordance to the terms of the Agreement. The Acquisition has been accounted for using purchase method and a gain on bargain purchase was approximately RMB42,326,000 was recognised in profit or loss.

Corporate Governance Report

Corporate governance practices

The Board 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 year ended 31 December 2013 ("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. The Group nevertheless will review the structure from time to time in light of the prevailing circumstances.

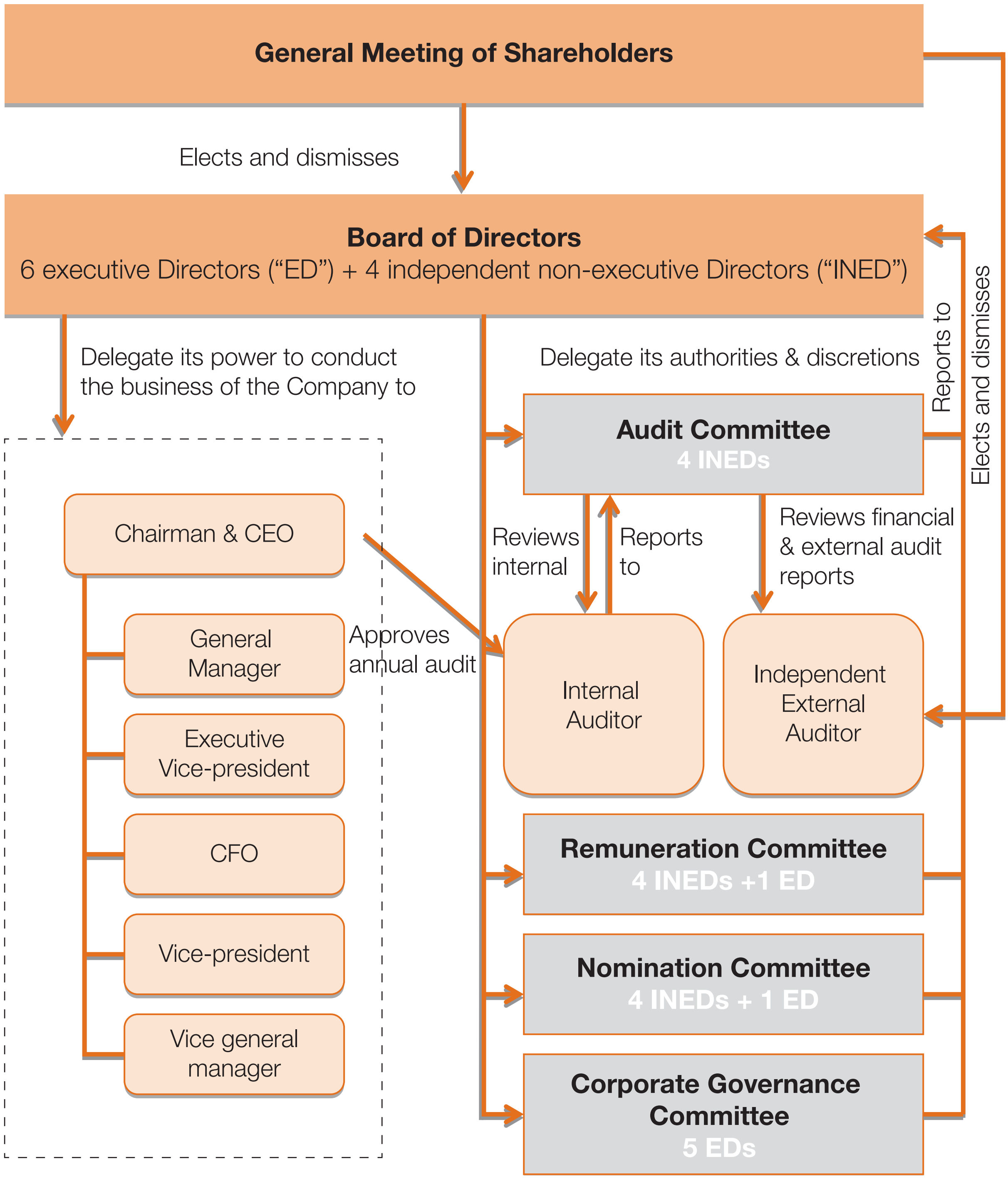
Model code for securities transactions by Directors

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 Report

Corporate governance structure



Corporate Governance Report

Board of Directors

Board composition

As at 31 December 2013, the Company has 6 executive Directors and 4 independent non-executive Directors. They bring to the Board a wide range of professional experience in areas of business, financial, legal, technical and industrial, which contribute to the effective direction of the Group. The Board considers its current composition to have achieved good diversity in terms of educational background and professional experience.

The Board comprises the following Directors during the year ended 31 December 2013:

Executive Directors

Mr. Rui Fubin (Chairman of the Board and the Corporate Governance Committee, Chief Executive Officer)
Mr. Chu Hui (appointed on 18 July 2013, Member of the Corporate Governance Committee)
Mr. Rui Yiping (Member of the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee)
Ms. Xia Yafang
Mr. Jiang Yongwei (Member of the Corporate Governance Committee)
Mr. Hao Minghui (Member of the Corporate Governance Committee)

Independent non-Executive Directors

Mr. Wu Changshun (Chairman of the Remuneration Committee and the Nomination Committee and Member of the Audit Committee)
Ms. Poon Yick Pang Philip (Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee)
Mr. He Zhisong (Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)
Ms. Yang Rongkai (Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)

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.

During the year ended 31 December 2013, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has complied with the Listing Rules requirement of independent non-executive directors representing at lease one-third of the Board.

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.

Corporate Governance Report

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. The management of the Company has provided all Directors with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. 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.

Chairman's responsibility

The chairman of the Company (the "Chairman") is primarily responsible for ensuring that good corporate governance practices and procedures are established.

The Chairman has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. Directors with different views are encouraged to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

During the year, the Chairman has held meetings with the non-executive Directors without the executive directors present.

The Chairman has ensured that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

The Chairman has promoted a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors.

Corporate Governance Report

Directors' Responsibility in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Company Secretary

The Company Secretary supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policy and procedures are followed. He advises the Board on governance matters and facilitates the induction and professional development of Directors. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affair. He was appointed by the Board since the Company listed on the Hong Kong Stock Exchange Limited in 2012. Although the Company Secretary reports to the Chairman and the Chief Executive Officer, all Directors may call upon him for advice and assistance at any time in respect of their duties and the effective operation of the Board and the Board Committees.

During the year, the Company Secretary complied with Rule 3.29 of the Listing Rules and has taken more than 15 hours of relevant professional training.

Board meetings and attendance

The Board meets regularly to review the financial and operating performance of the Company and to discuss future strategy. Five 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. The Chairman had ensured that all Directors were properly briefed on issues arising at board meetings. All Directors were provided with accurate, clear, complete and reliable information in a timely manner. 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 either in physical form or electronic copy.

Corporate Governance Report

Five Board meetings and two general meetings ("General Meetings") were held during the year. The attendance record of each Director at Board meetings and the General Meetings during the year is set out below:

Directors	Attendance at Board meetings	Attendance at General Meetings
Executive Directors		
Mr. Rui Fubin *(Chairman)*	5	2
Mr. Chu Hui (Note: Mr. Chu Hui was appointed on 18 July 2013, the three Board meetings and the two General Meetings were held before his appointment)	2	0
Mr. Rui Yiping	5	0
Ms. Xia Yafang	5	2
Mr. Jiang Yongwei	5	0
Mr. Hao Minghui	5	1
Independent Non-executive Directors		
Mr. He Zhisong	5	1
Mr. Wu Changshun	5	1
Mr. Yang Rongkai	5	1
Mr. Poon Yick Pang Philip	5	2

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 for the year ended 31 December 2013, 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.

Independent non-Executive Directors

The independent 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 independent 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.

Corporate Governance Report

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.

The Remuneration Committee has adopted the approach under paragraph B.1.2(c)(ii) of the Code and advises and makes recommendations to the Board on the Group's overall policy and structure for the remuneration of Directors and senior management.

Details of the remuneration packages of the executive Directors and the information about the five highest paid individuals are set out in Note 11 of the Notes to the Consolidated Financial Statements. Remuneration packages of senior management not disclosed in Note 11 were in the band of Nil to HK$1,000,000.

During the year, two Remuneration Committee meetings were held; and the Remuneration Committee had reviewed and recommended the appointment of Mr. Chu Hiu as Director and his remuneration.

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

Corporate Governance Report

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 board diversity including 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; (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 market place; and (v) to identify individuals suitably qualified to become board members. 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, the Board adopted a board diversity policy which set out the approach to achieve and maintain diversity of the Board in order to ensure governance. Appointment of the Board members is based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity of the Board, including but not limited to age,education background, professional experience, skills and knowledge. The Board considers that its current composition have achieved good diversity in terms of education background and professional experience.

During the year, two Nomination Committee meetings were held; and the Nomination Committee had reviewed and recommended the Board to appoint Mr. Chu as an Executive Director immediately after the completion of acquisition of Jiangsu Zengyang.

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

Corporate Governance Report

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 and discuss 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. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the meetings are sent to all committee members for their comments and records within a reasonable time after the meeting.

During the year, three Audit Committee meetings were held. The Audit Committee had reviewed the Company's accounts, results as at 31 December 2012 and results as at 30 June 2013 and recommended to the Board to adopt, approve and disclose the same in the annual and half-year reports. The Audit Committee had reviewed and agreed with the audit plan proposed by the Company's independent auditor Deloitte Touche Tohmatsu. The Audit Committee had also reviewed the internal controls adopted by the Group and considered the system of internal controls are effective.

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

Corporate Governance Report

During the year, two Corporate Governance Committee meetings were 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 provision 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)*	2
Mr. Chu Hui (Note: Mr. Chu Hui was appointed on 18 July 2013, one Corporate Governance Committee was held before his appointment)	1
Mr. Rui Yiping	2
Mr. Jiang Yongwei	2
Mr. Hao Minghui	2

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 2013 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 2013 amounted to HK$2,380,000 (2012: HK$1,800,000).

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.

Corporate Governance Report

Shareholders' rights

General meetings

During the year, the Company had arranged for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for the other general meeting.

During the general meetings held during the year, the chairman of the meeting had explained the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

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.

Corporate Governance Report

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 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 2013, there is no change in the Company's constitutional documents.

Profile of Directors and Senior Management

Executive Directors

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

Mr. Rui Fubin, aged 65, was appointed as the Company's Director on 4 January 2011, appointed as the Chairman and chief executive officer on 25 February 2012 and an executive Director on 20 April 2012. Mr. Rui is primarily responsible for the formulation of the Group's development strategies and supervision of the overall business and operation management. Mr. Rui has about 30 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 another executive Director and general manager (marketing and sales), Mr. Rui Yiping. Mr. Rui is the father-in-law of Mr. Chu Hui. Mr. Rui is the uncle of the spouse of Mr. Jiang Yongwei, 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. Chu Hui (儲輝), General manager

Mr. Chu Hui, aged 42, has over 19 years of experience in the wire and cable industry in the People's Republic of China. Since May 2005, he has been the chairman, an executive director and a general manager of 江蘇中煤電纜有限公司(in English, for identification purpose only, Jiangsu Zhongmei Cable Group Co., Ltd.) (''Zhongmei Cable''), which is now a whollyowned subsidiary of the Company, and has been responsible for overall management of production, operation, sales and administration matters in Zhongmei Cable. Mr. Chu Hui is currently the chairman and a director of Zhongmei Cable. From June 2003 to November 2004, he was the executive director and general manager of Wuxi Zhongnan Mining Cable Co. Ltd (無錫中南礦纜有限公司). From November 2001 to May 2003, he was the deputy general manager of Wuxi Jiangnan Wire and Cable Co. Ltd (無錫江南線纜有限公司). From November 1997 to October 2001, he was the factory director of Shanghai Asahi cable factory (上海滬旭電纜廠). From December 1994 to October 1997, he was engaged in the sales and marketing of wire and cable.

Mr. Chu Hui had been the vice chairman of the 2nd Governing Council of the Jiangsu Province Coal Mining Machinery Industry Association, the vice chairman of the 2nd National Fountain Professional Committee, and the general committee member (常務理事) of Yixing City Charity Association (宜興市慈善會).

Profile of Directors and Senior Management

Mr. Chu Hui has obtained several awards, including Outstanding Entrepreneur (優秀企業家) awarded by the people's government of Yixing in 2012, Outstanding Entrepreneur in Coal Mining Machinery Industry (江蘇省煤礦機械工業優秀企業家) by the Coal Mining Machinery Industry of Jiangsu Province (江蘇省煤礦機械工業協會) in 2006, one of the Top Ten Young Entrepreneurs in Wuxi City (無錫市十佳青年企業家) jointly awarded by a few entities (including Wuxi Municipal Party Committee Organisation Department (中共無 錫市委組織部), Wuxi City Economic and Trade Commission (無錫市經濟貿易委員會) and Wuxi City Industry and Commercial Federation (無錫市工商業聯合會)) in 2008, one of the 17th Top Ten Outstanding Young Persons in Wuxi City (第十七屆無錫市十大傑出青年) jointly awarded by a few entities (including Wuxi Municipal Party Committee Organisation Department (中共無錫市委組織部), Wuxi City Personnel Department (無錫市人事局) and Wuxi City Youth Federation (無錫市青年聯合會) and Outstanding Young Person of Yixing City (宜興市優秀青年) jointly awarded by a few entities (including Yixing Municipal Party Committee Organisation Department (中共宜興市委組織部), Yixing City Personnel Department (宜興市人事局) and Yixing City Youth Federation (宜興市青年聯合會)) in 2006. Mr. Chu Hui currently serves as a member of the Chinese People's Political Consultative Conference of Yixing City. Mr. Chu Hui also involved in a lot of charitable activities and was granted the award of Charity Star of Yixing City (慈善明星) by the Yixing City Party Committee Council (中共宜興市委員會) and the people's government of Yixing in 2007.

Mr. Chu Hui studied in Southeast University (東南大學) and obtained his master of business administration in 2004. Mr. Chu Hui was qualified as a senior economist (高級經濟師) in 2005 by the Jiangsu Province Personnel Department.

Mr. Chu Hui is the son-in-law of Mr. Rui Fubin (the Chairman, chief executive officer of the Company and an executive Director), the brother-in-law of Mr. Rui Yiping (an executive Director) and the spouse of Mr. Chu Hui is the cousin of the spouse of Mr. Jiang Yongwei (an executive Director).

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

Mr. Rui Yiping, aged 34, was appointed as the Company's Director on 4 January 2011, appointed as the general manager (marketing and sales) on 25 February 2012 and an executive Director on 20 April 2012. Mr. Rui is responsible for the Group's 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, the Company's Chairman, executive Director and chief executive officer, the brother-in-law of Mr. Chu Hui, an executive Director, and a cousin of the spouse of Mr. Jiang Yongwei, an 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 41, was appointed as the Company's Director on 26 January 2011, appointed as the executive vice president on 25 February 2012 and an executive Director on 20 April 2012. She joined the Group in 2004. Ms. Xia is in charge of the Group's 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, the vice general manager.

Mr. Jiang Yongwei (蔣永衛), vice president

Mr. Jiang Yongwei, aged 47, was appointed as a vice president and the Company's Director on 25 February 2012 and an executive Director on 20 April 2012. Mr. Jiang joined the Group in February 2004. He is the head of the production department responsible for the Group's 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, the Chairman, executive Director and chief executive officer, his spouse is a cousin of Mr. Rui Yiping, the executive Director and general manager (marketing and sales), and his spouse is a cousin of the spouse of Mr. Chu Hui, an executive Director.

Mr. Hao Minghui (郝名輝), Head of overseas sales

Mr. Hao Minghui, aged 57, was appointed as the Company's executive Director on 1 December 2012. Mr. Hao is responsible for overseas sales 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.

Profile of Directors and Senior Management

Independent non-executive Directors

Mr. He Zhisong (何植松)

Mr. He Zhisong, aged 44, was appointed as the Company's Director on 25 February 2012 and appointed as an 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.

Mr. Wu Changshun (吳長順)

Mr. Wu Changshun, aged 53, was appointed as the Company's Director on 25 February 2012 and appointed as an 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 54, was appointed as the Company's Director on 25 February 2012 and appointed as an 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 44, was appointed as the Company's Director on 25 February 2012 and appointed as an 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 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
Chu Hui				M
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 60, is the vice general manager. Mr. Rui joined the Group in February 2004 and has been the executive vice general manager of Jiangnan Cable. Mr. Rui is responsible for the Group's 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 the Directors.

Mr. Han Wei (韓偉), aged 45, is the vice general manager in charge of sales. Mr. Han joined the Group 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, the executive Director and executive vice president.

Mr. Chan Man Kiu (陳文喬), aged 52, is the chief financial officer and company secretary. Mr. Chan joined the Group in January 2011. Mr. Chan has over 26 years of experience in the field of finance and operations. Since 2004. 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 58, is the vice general manager. Mr. Qiu joined the Group in February 2004. He is responsible for internal audit 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.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2013.

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 35 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 and the state of affairs of the Group as at 31 December 2013 are set out in the consolidated statement of financial position on page 52.

An interim dividend of HK1.4 cents per share amounting to HK$43,080,800 (approximately RMB34,137,000) in aggregate was paid to the Shareholders whose names appeared on the register of members of the Company on 16 September 2013 during the year ended 31 December 2013.

Subsequent to the end of the reporting period, the Board recommended a final dividend ("Final Dividend") of HK3.3 cents per share for the year ended 31 December 2013 (2012: HK2.2 cents) to the Shareholders which is subject to shareholders' approval in the forthcoming annual general meeting to be held on 23 May 2014 ("AGM").

Subject to the approval of the Shareholders at the AGM, it is expected that the Final Dividend will be paid on or around 30 June 2014 to the Shareholders whose names appear in the register of members of the Company on 9 June 2014.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 53.

The Directors consider that the Company's reserves available for distribution to Shareholders comprise the share premium, the special reserve and the accumulated profits which amounted to RMB2,010,402,000 (2012: RMB1,648,684,000) as at 31 December 2013. 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 of the Company dated 10 April 2012. 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 the Group's production facilities for high and ultra-high voltage cables, approximately HK$28.8 million of the net proceeds was used to upgrade and expand existing production facilities and enhance research and development capabilities, and approximately HK$14.1 million of the net proceeds was utilised for acquisition of Jiangsu Zengyang.

Financial summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 106.

An analysis of the Group's results by segment for the year ended 31 December 2013 is set out in note 7 to the consolidated financial statements.

Directors' Report

Property, plant and equipment

During the year, including assets acquired from acquisition of Jiangsu Zengyang, the Group acquired land use rights at a cost of RMB135,112,000, buildings at a cost of RMB105,820,000, furniture, fixtures and equipment at a cost of RMB3,478,000, plant and machinery at a cost of RMB86,187,000, motor vehicles at a cost of RMB8,589,000, and construction in progress at a cost of RMB14,577,000.

Details of movements during the year ended 31 December 2013 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 2013 in the share capital of the Company are set out in note 27 to the consolidated financial statements.

Share premium and reserves

Details of movements during the year ended 31 December 2013 in the share premium and reserves of the Group are set out on the consolidated statement of changes in equity on page 53.

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

Executive Directors

Ms. Chu Hui (appointed as a Director on 18 July 2013)
Mr. Rui Yiping
Ms. Xia Yafang
Mr. Jiang Yongwei
Mr. Hao Minghui

Independent Non-executive Directors

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

In accordance with Article 84(1) of the Company's articles of association, Mr. Rui Yiping, Mr. Yang Rongkai and Mr. Poon Yick Pang Philip 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. Chu Hui shall retire by rotation at the AGM, and being eligible, offer himself, for re-election.

The Directors' biographical information is set out on pages 37 to 41.

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

Directors' Report

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") Mr. Chu Hui ("Mr. Chu") who have separately entered into a service contract with the Company pursuant to which Mr. Hao and Mr. Chu are appointed as the executive Director for a fixed term from 1 December 2012 to 19 April 2015 and from 18 July 2013 to 17 July 2015 respectively. 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 2013, 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 31 December 2013.

Directors' Report

Substantial Shareholders

As at 31 December 2013, 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%

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.

Save as disclosed, as at 31 December 2013, there was no other persons who had interests or short positions in the Shares, underlying shares or debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO.

Connected transactions

The Board confirms that save for the acquisition of Jiangsu Zengyang as disclosed in note 28 to the consolidated financial statements falls under the definition of "Connected transaction" under Chapter 14A of the Listing Rules, and the security and guarantee provided by the Director as disclosed in note 24 to the consolidated financial statements are exempted connected transactions as defined under Chapter 14A of the Listing Rules, the related party transactions as disclosed in note 32 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 year ended 31 December 2013, the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of 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 2013.

Directors' interests in competing business

During the year ended 31 December 2013 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 2013.

Arrangement to purchase shares or debentures

Save as disclosed in this annual report, at no time during the year ended 31 December 2013 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

The Group's 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 2013, the Group made contribution to the MPF Scheme amounting to approximately HK$38,500.

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.

Directors' Report

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.

Charitable donations

Charitable donations made by the Group during the year amounted to RMB1,311 (2012: RMB3,177).

Major customers and suppliers

For the year ended 31 December 2013, the Group's largest customer accounted for approximately 3.8% (2012: 2.6%) of the Group's revenue and the five largest customers of the Group accounted for approximately 10.9% (2012: 8.7%) of the Group's revenue. For the year ended 31 December 2013, the Group's largest supplier accounted for approximately 40.8% (2012: 34.7%) of the Group's purchases and the five largest suppliers of the Group accounted for 91.0% (2012: 77.4%) of the Group's purchases for the year.

At no time during the year ended 31 December 2013 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 during the year ended 31 December 2013.

Auditor

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2013. 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, 31 March 2014

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 51 to 105, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013, 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

31 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	7	**6,477,302**	5,356,363
Cost of goods sold		**(5,476,949)**	(4,513,978)
Gross profit		**1,000,353**	842,385
Other income	8	**27,039**	31,785
Selling and distribution costs		**(109,967)**	(94,126)
Administrative expenses		**(132,553)**	(85,965)
Other expenses		**(17,507)**	(32,160)
Other gains and losses		**(5,613)**	(23,939)
Gain on bargain purchase	28	**42,326**	–
Share of loss of associates		**(3,492)**	–
Finance costs	9	**(195,279)**	(182,188)
Profit before taxation	10	**605,307**	455,792
Taxation	12	**(101,784)**	(79,672)
Profit for the year attributable to owners of the Company		**503,523**	376,120
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(10,887)**	(70)
Total comprehensive income for the year attributable to owners of the Company		**492,636**	376,050
Earnings per share — Basic	14	**16.36 cents**	13.09 cents

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	15	**632,910**	472,561
Land use rights	16	**207,706**	79,246
Interest in associates	17	**15,188**	–
Loan to an associate	17	**30,369**	–
Available-for-sale investment	18	**2,500**	–
Deferred tax asset	26	**6,559**	5,208
Deposit paid for acquisition of property, plant and equipment		**1,260**	2,582
		896,492	559,597
Current assets			
Inventories	19	**1,842,221**	1,003,296
Trade and other receivables	20	**2,328,373**	1,830,916
Pledged bank deposits	21	**807,642**	755,097
Bank balances and cash	21	**1,682,558**	1,137,741
		6,660,794	4,727,050
Current liabilities			
Trade and other payables	22	**2,223,165**	1,404,824
Amounts due to directors	23	**3,701**	1,446
Bank borrowings	24	**2,922,136**	1,934,500
Taxation payable		**54,376**	32,501
		5,203,378	3,373,271
Net current assets		**1,457,416**	1,353,779
Total assets less current liabilities		**2,353,908**	1,913,376
Non-current liabilities			
Government grants	25	**4,447**	4,887
Deferred tax liabilities	26	**63,805**	27,692
		68,252	32,579
		2,285,656	1,880,797
Capital and reserves			
Share capital	27	**24,964**	24,964
Reserves		**2,260,692**	1,855,833
		2,285,656	1,880,797

The consolidated financial statements on pages 51 to 105 were approved and authorised for issue by the Board of Directors on 31 March 2014 and are signed on its behalf by:

Rui Fubin	**Chu Hui**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes In Equity

For the year ended 31 December 2013

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Non-distributable reserve RMB'000 (Note b)	Statutory reserve RMB'000 (Note c)	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2012	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 (expense) income for the year	–	–	–	–	–	(70)	376,120	376,050
Group Reorganisation (Note 27(b))	(85,584)	(63,112)	148,696	–	–	–	–	–
Capitalisation issue (Note 27(c))	9,669	(9,669)	–	–	–	–	–	–
Issue of shares of the Company under Initial Public Offering (Note 27(d))	2,751	387,909	–	–	–	–	–	390,660
Expenses incurred in connection with issue of shares	–	(20,696)	–	–	–	–	–	(20,696)
Bonus shares issued (Note 27(e))	12,463	(12,463)	–	–	–	–	–	–
Interim dividends recognised as distribution (Note 13)	–	–	–	–	–	–	(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
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	(10,887)	–	(10,887)
Profit for the year	–	–	–	–	–	–	503,523	503,523
Total comprehensive (expense) income for the year	–	–	–	–	–	(10,887)	503,523	492,636
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	(87,777)	(87,777)
Transfers	–	–	–	–	54,028	–	(54,028)	–
At 31 December 2013	24,964	345,081	148,696	77,351	192,059	(19,120)	1,516,625	2,285,656

Notes:

(a) 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 Group Limited pursuant to the Group Reorganisation in 2012.

(b) 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.

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Group are 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 subsidiaries while the amounts and allocation basis are decided by their 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 2013

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Profit before taxation		**605,307**	455,792
Adjustments for:			
Interest income		**(20,930)**	(29,096)
Finance costs		**195,279**	182,188
Depreciation of property, plant and equipment		**47,528**	35,358
Loss on disposal of property, plant and equipment		**51**	1,281
Operating lease rentals in respect of land use rights		**3,353**	1,229
Release of government grants		**(440)**	(473)
Allowance for bad and doubtful debts		**5,562**	22,658
Gain on bargain purchase		**(42,326)**	–
Share of loss of associates		**3,492**	–
Operating cash flows before movements in working capital		**796,876**	668,937
(Increase) decrease in inventories		**(432,646)**	182,583
Decrease (increase) in trade and other receivables		**264,745**	(425,402)
Increase (decrease) in trade and other payables		**148,282**	(159,962)
Cash generated from operations		**777,257**	266,156
PRC income tax paid		**(77,603)**	(65,606)
Withholding tax paid		**–**	(2,487)
Net cash generated from operating activities		**699,654**	198,063
Investing activities			
Interest received		**20,930**	29,096
Proceeds from disposal of property, plant and equipment		**5,912**	10,212
Purchase of property, plant and equipment		**(22,223)**	(93,381)
Deposits paid for acquisition of property, plant and equipment		**(1,260)**	(29,626)
Purchase of land use rights		**–**	(31,245)
Government grants received		**–**	100
Acquisition of subsidiaries	28	**(387,200)**	–
Advance to an associate		**(47,503)**	–
Repayment from an associate		**23,100**	–
Investment in an associate		**(283)**	–
Release of pledged bank deposits		**1,788,303**	1,471,374
Bank deposits pledged		**(1,684,583)**	(1,744,306)
Net cash used in investing activities		**(304,807)**	(387,776)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
Financing activities		
Interest paid	**(200,682)**	(193,916)
Dividends paid	**(87,777)**	(47,228)
New bank borrowings raised	**3,242,936**	2,302,200
Repayment of bank borrowings	**(2,791,100)**	(1,769,525)
Advances from directors	**3,368**	–
Repayment to directors	**(1,113)**	(11,868)
Expenses incurred in connection with the issue of shares	**–**	(20,696)
Proceeds on issue of shares	**–**	390,660
Net cash generated from financing activities	**165,632**	649,627
Net increase in cash and cash equivalents	**560,479**	459,914
Cash and cash equivalents at beginning of the year	**1,137,741**	677,897
Effect of foreign exchange rate changes	**(15,662)**	(70)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**1,682,558**	1,137,741

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 Group Limited ("Extra Fame") and its then shareholders, is regarded as a continuing entity. Accordingly, the consolidated statements of profit or loss and other comprehensive income and consolidated statements of cash flows for the year ended 31 December 2012 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 that year, or since their respective dates of incorporation where this is a shorter period.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC)-INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(continued)*

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT-12 "Consolidation — Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The application of HKFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

The directors of the Company have made an assessment of the application of HKFRS 10 in respect of the Group's control in its investees that were acquired or set up during the year under the new definition in the new and revised HKFRSs and concluded that the application of the new standard has no impact on the classification of investees currently reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (see note 17 for details).

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. The application of HKFRS 13 has not had any material impact on the amounts recognised and/or disclosures set out in the consolidated financial statements.

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 Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 14	Regulatory deferral accounts[5]
HK(IFRIC)-INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for annual periods beginning on or after 1 January 2016.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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.

- 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.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for available-for-sale investments, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and financial liabilities as at 31 December 2013. Regarding the Group's available-for-sale investment, it is not practicable to provide a reasonable estimate of that effective until a detail review has been conducted.

Other then those disclosed above, the directors of the Company anticipate that the application of the other new or revised HKFRSs will have no material impact on the results and financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs 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 at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

Basis of consolidation *(continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or sharebased payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

Investments in associates *(continued)*

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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.

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 the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

Property, plant and equipment *(continued)*

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.

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.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

Research and development costs

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

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

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

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

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

Inventories

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

Impairment losses 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

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 and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts 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, loan to an associate, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held to maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

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.

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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

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 taxation" as reported in the consolidated statement of profit or loss and other 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary and associates, 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 are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

3. Significant Accounting Policies *(continued)*

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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.

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, 2013, the carrying amount of property, plant and equipment is approximately RMB632,910,000 (2012: RMB472,561,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

5. Key Sources of Estimation Uncertainty *(continued)*

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 2013, the carrying amount of inventories are approximately RMB1,842,221,000 (2012: RMB1,003,296,000).

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 2013, the carrying amount of trade receivables are approximately RMB2,005,593,000 (2012: RMB1,732,705,000) (net of allowance for bad and doubtful debts of RMB94,831,000 (2012: RMB89,269,000) as at 31 December 2013).

6. Financial Instruments

Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,564,774**	3,692,534
Available-for-sale investment	**2,500**	–
Financial liabilities		
Amortised cost	**4,755,196**	3,131,807

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan to an associate, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

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 (2012: 25 basis points) lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2013 RMB'000	2012 RMB'000
Decrease in profit for the year	**5,244**	2,833

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.

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 2013, approximately 6% (2012: 7%) 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:

	2013		2012	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
United States dollars	**124,925**	**(150,921)**	58,987	(38,336)
Hong Kong dollars	**3,267**	**–**	64,946	(1,272)
Singapore dollars	**97,668**	**(15,995)**	74,412	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. Financial Instruments *(continued)*

Currency risk *(continued)*

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% (2012: 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% (2012: 5%) change in foreign currency rates. If the RMB strengthens 5% (2012: 5%) against the relevant foreign currencies, the increase (decrease) in profit for the year is as follows:

	2013 RMB'000	2012 RMB'000
United States dollars	**1,105**	(878)
Hong Kong dollars	**(139)**	(2,706)
Singapore dollars	**(3,471)**	(3,163)

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of 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 RMB188,207,000 (2012: RMB164,654,000), representing approximately 8.3% (2012:9.5%) of the total trade and bills receivables at 31 December 2013. The largest trade and bills receivable from a customer by itself accounted for approximately 4.3% (2012: 4.3%) of the total trade and bills receivables at 31 December 2013. 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 20.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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 2013					
Trade and other payables	**–**	**1,721,078**	**18,056**	**1,739,134**	**1,739,134**
Consideration payable	**–**	**77,925**	**–**	**77,925**	**77,925**
Construction work payables	**–**	**–**	**12,300**	**12,300**	**12,300**
Amounts due to directors	**–**	**3,701**	**–**	**3,701**	**3,701**
Discounted bills with recourse	**–**	**15,995**	**–**	**15,995**	**15,995**
Bank borrowings:					
— variable rate	**6.20**	**165,795**	**225,024**	**390,819**	**377,833**
— fixed rate	**6.22**	**1,653,559**	**958,588**	**2,612,147**	**2,528,308**
		3,638,053	**1,213,968**	**4,852,021**	**4,755,196**
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	567,433	4,081	571,514	553,600
— fixed rate	6.39	1,415,135	11,311	1,426,446	1,380,900
		3,179,875	15,392	3,195,267	3,131,807

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

6. Financial Instruments *(continued)*

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
- Rubber cables

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, gain on bargain purchase and share of loss of associates are not allocated to each reportable segment. This is the measure reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. Turnover and Segment Information *(continued)*

The information of segment results are as follows:

	2013 RMB'000	2012 RMB'000
Revenue		
— power cables	**4,239,666**	3,701,286
— wires and cables for electrical equipment	**1,513,652**	1,326,750
— bare wires	**348,122**	328,327
— rubber cables	**375,862**	–
	6,477,302	5,356,363
Cost of goods sold		
— power cables	**3,529,243**	3,068,903
— wires and cables for electrical equipment	**1,360,743**	1,146,642
— bare wires	**304,363**	298,433
— rubber cables	**282,600**	–
	5,476,949	4,513,978
Segment result		
— power cables	**710,423**	632,383
— wires and cables for electrical equipment	**152,909**	180,108
— bare wires	**43,759**	29,894
— rubber cables	**93,262**	–
	1,000,353	842,385

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

	2013 RMB'000	2012 RMB'000
Reportable segment results	**1,000,353**	842,385
Unallocated income and expenses		
— Other income	**27,039**	31,785
— Selling and distribution costs	**(109,967)**	(94,126)
— Administrative expenses	**(132,553)**	(85,965)
— Other expenses	**(17,507)**	(32,160)
— Other gains and losses	**(5,613)**	(23,939)
— Gain on bargain purchase	**42,326**	–
— Share of loss of associates	**(3,492)**	–
— Finance costs	**(195,279)**	(182,188)
Profit before taxation	**605,307**	455,792

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

7. Turnover and Segment Information *(continued)*

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:

	2013 RMB'000	2012 RMB'000
Turnover		
— PRC (country of domicile)	**6,088,424**	4,958,031
— Singapore	**196,059**	139,543
— Vietnam	**86,846**	–
— South Africa	**84,697**	225,017
— South America	**12,760**	13,423
— United States	**5,330**	18,272
— Macau	**1,878**	–
— Laos	**1,167**	–
— Australia	**141**	2,062
— Japan	**–**	15
	6,477,302	5,356,363

The Group mainly operates in two principal geographical areas — the PRC (excluding Hong Kong) and South Africa. At 31 December 2013, approximately 96.0% (2012: 97.8%) of the Group's non-current assets were located in the PRC (the place of domicile).

Information about major customers

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

8. Other Income

	2013 RMB'000	2012 RMB'000
Interest income	**20,930**	29,096
Government subsidies (Note)	**1,886**	2,105
Others	**4,223**	584
	27,039	31,785

Note: Included in the amount is RMB440,000 (2012: RMB473,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

9. Finance Costs

	2013 RMB'000	2012 RMB'000
Interests on bank loans wholly repayable within five years	**200,682**	193,916
Less: Amount capitalised	**(5,403)**	(11,728)
	195,279	182,188

Borrowing costs capitalised during the year ended 31 December 2013, arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.40% (2012: 7.57%) per annum for the Group's expenditure on qualifying assets.

10. Profit before Taxation

	2013 RMB'000	2012 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	**3,387**	2,440
Other staff cost:		
Salaries and other benefits	**114,167**	98,676
Contributions to retirement benefit scheme	**14,509**	14,350
Total staff costs	**132,063**	115,466
Less: Staff costs included in research and development costs	**(10,352)**	(9,411)
	121,711	106,055
Depreciation of property, plant and equipment	**47,528**	35,358
Less: Depreciation included in research and development costs	**(1,797)**	(2,440)
	45,731	32,918
Allowance for bad and doubtful debts (included in other gains and losses)	**5,562**	22,658
Auditor's remuneration	**2,315**	1,480
Cost of inventories recognised as expenses	**5,476,949**	4,513,978
Acquisition-related costs (included in other expenses)	**685**	–
Expenses in relation to initial public offering of the Company's shares (included in other expenses)	**–**	18,773
Loss on disposal of property, plant and equipment (included in other gains and losses)	**51**	1,281
Minimum lease payment under operating lease in respect of property	**951**	1,692
Operating lease rentals in respect of land use rights	**3,353**	1,229
Research and development costs (included in other expenses)	**16,822**	13,387

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For the year ended 31 December 2013

11. Directors', Chief Executive's and Employee's Emoluments

Details of emoluments paid or payable by the Group to the directors and chief executive 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 2013					
Executive directors:					
Rui Fubin (note a)	**–**	**840**	**–**	**–**	**840**
Rui Yiping	**–**	**600**	**–**	**9**	**609**
Jiang Yongwei	**–**	**360**	**–**	**9**	**369**
Xia Yafang	**–**	**420**	**–**	**9**	**429**
Hao Minghui	**–**	**360**	**–**	**9**	**369**
Chi Hui (note b)	**–**	**376**	**–**	**–**	**376**
Independent non-executive directors (note c):					
Philip Poon Yick Pang	**158**	**–**	**–**	**–**	**158**
He Zhisong	**79**	**–**	**–**	**–**	**79**
Wu Changshun	**79**	**–**	**–**	**–**	**79**
Yang Rongkai	**79**	**–**	**–**	**–**	**79**
	395	**2,956**	**–**	**36**	**3,387**
For the year ended 31 December 2012					
Executive directors:					
Rui Fubin (note a)	–	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 (note c):					
Philip Poon Yick Pang	134	–	–	–	134
He Zhisong	67	–	–	–	67
Wu Changshun	67	–	–	–	67
Yang Rongkai	67	–	–	–	67
	335	2,081	–	24	2,440

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For the year ended 31 December 2013

11. Directors', Chief Executive's and Employee's Emoluments *(continued)*

Notes:

(a) Mr. Rui Fubin is also the chairman of the board of directors and chief executive officer ("CEO") of the Company and his emoluments disclosed above include those services rendered by him as the chairman and CEO (chief executive) of the Company.

(b) Mr. Chi Hui was appointed by the Company as executive director on 18 July 2013.

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

The five highest paid individuals for the year ended 31 December 2013 included four (2012: four) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2012: one) individual, for the year were as follows:

	2013 RMB'000	2012 RMB'000
Employees		
— basic salaries and allowances	**951**	744
— bonus	**554**	–
— retirement benefits scheme contributions	**12**	11
	1,517	755

The emoluments of the one (2012: one) individual with the highest emoluments is within the following bands:

	2013 Number of individuals	2012 Number of individuals
Nil to HK$1,000,000	**–**	1
HK$1,000,000 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–

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.

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For the year ended 31 December 2013

12. Taxation

	2013 RMB'000	2012 RMB'000
The charge comprises:		
PRC income tax	**92,559**	77,433
South Africa corporate tax	**30**	–
Deferred taxation (note 26)	**9,195**	2,239
Taxation charge for the year	**101,784**	79,672

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 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. Jiangsu Zhongmei Cable Group Co., Ltd. ("Zhongmei Cable") was also entitled to a reduced PRC income tax rate of 15% till next renewal in 2014.

Taxation arising in South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax is calculated at 28% (2012: 28%) of the assessable profit during the year.

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 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 is provided in the consolidated financial statements as the Group did not have assessable profit in Hong Kong during both years.

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For the year ended 31 December 2013

12. Taxation *(continued)*

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	**605,307**	455,792
Tax at the applicable tax rate (Note)	**151,327**	113,948
Tax effect of expenses not deductible for tax purposes	**8,818**	8,332
Tax effect of income not taxable for tax purposes	**(12,586)**	(1,651)
Tax effect of tax concession granted to PRC subsidiaries	**(60,572)**	(47,896)
Tax effect of research and development super-deduction	**(2,592)**	(1,004)
Tax effect of deductible temporary differences not recognised	**2,922**	3,399
Tax effect of deductible temporary differences previously not recognised	**–**	(2,276)
Withholding tax on undistributed earnings	**10,938**	9,934
Others	**3,529**	(3,114)
Taxation charge for the year	**101,784**	79,672

Note: The application income tax rate represents PRC income tax rate at 25% (2012: 25%) for the year ended 31 December 2013 as the Group's operations are substantially based in the PRC.

13. Dividends

	2013 RMB'000	2012 RMB'000
Dividends recognised as distribution during the year:		
2013 Interim dividend — HK1.4 cents (2012: 2012 Interim dividend HK1.9 cents (restated)) per share	**34,137**	47,228
2012 Final dividend — HK2.2 cents (2012: 2011 Final dividend of nil) per share	**53,640**	–
	87,777	47,228

Subsequent to the end of the reporting period, a final dividend of HK3.3 cents in respect of the year ended 31 December 2013 (2012: HK2.2 cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

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For the year ended 31 December 2013

14. Earnings per Share

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

	2013 RMB'000	2012 RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**503,523**	376,120
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,077,200,000**	2,873,669,944

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 27(e) for details).

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

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For the year ended 31 December 2013

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
THE GROUP						
COST						
At 1 January 2012	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
Currency realignment	300	4,137	105	233	–	4,775
Additions	317	11,513	1,872	1,929	14,577	30,208
Acquired from acquisition of subsidiaries (note 28)	105,503	74,674	6,717	1,549	–	188,443
Disposals	(1,188)	(13,011)	(7,426)	(1,057)	–	(22,682)
Transfer	31,529	16,935	–	168	(48,632)	–
At 31 December 2013	318,809	356,760	23,782	24,686	112,757	836,794
DEPRECIATION						
At 1 January 2012	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
Currency realignment	29	14	(18)	(25)	–	–
Provided for the year	11,998	28,432	4,389	2,709	–	47,528
Eliminated on disposal	(411)	(749)	(5,626)	(347)	–	(7,133)
At 31 December 2013	53,991	122,799	12,502	14,592	–	203,884
CARRYING VALUES						
At 31 December 2013	264,818	233,961	11,280	10,094	112,757	632,910
At 31 December 2012	139,973	167,410	8,757	9,609	146,812	472,561

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

At 31 December 2013, the Group pledged certain of its buildings and machinery with carrying value of RMB120,944,000 and RMB73,108,000, respectively, (2012: RMB58,711,000 and RMB38,061,000, respectively) to certain banks to secure credit facilities granted to the Group.

During the year ended 31 December 2013, interest expenses of RMB5,403,000 (2012: RMB11,728,000) have been capitalised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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

	2013 RMB'000	2012 RMB'000
Carrying amount		
At beginning of the year	**81,228**	51,212
Addition	**–**	31,245
Acquisition of subsidiaries (note 28)	**135,112**	–
Charged to profit or loss for the year	**(3,353)**	(1,229)
At end of the year	**212,987**	81,228
Analysed for reporting purposes as:		
Current portion (note 20)	**5,281**	1,982
Non-current portion	**207,706**	79,246
	212,987	81,228

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 2013 and 31 December 2012, the Group has pledged the land use rights held by the Group with a carrying amount of RMB175,439,000 (2012: RMB42,766,000) to certain banks to secure the credit facilities granted to the Group.

17. Interest in Associates/Loan to an Associate

	2013 RMB'000	2012 RMB'000
Cost of investment in associates, unlisted	**15,343**	–
Impairment loss recognised	**(283)**	–
Share of post-acquisition profit and other comprehensive income, net of dividends received	**128**	–
	15,188	–

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For the year ended 31 December 2013

17. Interest in Associates/Loan to an Associate *(continued)*

	2013 RMB'000	2012 RMB'000
Loan to an associate	**33,706**	–
Less: Share of post-acquisition losses that are in excess of the cost of the investment	**(3,337)**	–
	30,369	–

Details of the Group's associates at the end of the reporting period are as follow:

Name of entity	Form of entity	Country of incorporation/ establishment	Principal place of operation	Proportion of ownership interest by the Group		Proportion of voting rights held by the Group		Principal activity
				2013	2012	2013	2012	
江蘇和順典當有限公司(「江蘇和順」)	Incorporated	PRC	PRC	**30%**	–	**30%**	–	Business of pawn broking
Wuxi Tech (Proprietary) Ltd. ("Wuxi Tech")	Incorporated	South Africa	South Africa	**49%**	–	**49%**	–	Manufacture of and trading in electrical cables

Summarised financial information of associates

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

The associates are accounted for using the equity method in these consolidated financial statements.

江蘇和順

	2013 RMB'000
Current assets	**49,761**
Non-current assets	**1,234**
Current liabilities	**(367)**
Net assets	**50,628**
Revenue	**5,221**
Profit and total comprehensive income for the year	**426**

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For the year ended 31 December 2013

17. Interest in Associates/Loan to an Associate *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2013 RMB'000
Net assets of 江蘇和順	50,628
Proportion of the Group's ownership interest in 江蘇和順	30%
Carrying amount of the Group's interest in 江蘇和順	15,188

Wuxi Tech

	2013 RMB'000
Current assets	19,348
Non-current assets	8,494
Current liabilities	(15)
Non-current liabilities	(33,750)
Net liabilities	(5,923)
Revenue	8,877
Loss and total comprehensive expense for the year	(7,387)

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements.

	2013 RMB'000
Net liabilities of Wuxi Tech	(5,923)
Proportion of the Group's ownership interest in Wuxi Tech	49%
	(2,902)
Effect of net liabilities not recognised by the Group	2,902
Carrying amount of the Group's interest in Wuxi Tech	–

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For the year ended 31 December 2013

18. Available-for-sale Investment

The amount represents the Group's 0.38% equity investment in an unlisted private enterprise in the PRC. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

19. Inventories

	2013 RMB'000	2012 RMB'000
Raw materials	**88,962**	115,570
Work in progress	**965,589**	472,777
Finished goods	**787,670**	414,949
	1,842,221	1,003,296

At 31 December 2013, the Group pledged certain of its inventories with an aggregate carrying value of RMB398,340,000 (2012: RMB434,134,000) to certain banks to secure credit facilities granted to the Group.

20. Trade and Other Receivables

	2013 RMB'000	2012 RMB'000
Trade receivables, net	**2,005,593**	1,732,705
Bills receivables	**255,017**	7,305
	2,260,610	1,740,010
Current portion of land use rights (note 16)	**5,281**	1,982
Deposits paid to suppliers	**4,490**	7,432
Prepayments	**6,946**	6,986
Staff advances	**5,549**	6,988
Tender deposits	**38,411**	51,418
Interest income receivables	**–**	7,552
VAT tax receivables	**983**	3,828
Other receivables	**6,103**	4,720
	2,328,373	1,830,916

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

20. Trade and other receivables *(continued)*

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:

	2013 RMB'000	2012 RMB'000
Age		
0 to 90 days	**1,651,488**	1,261,629
91 to 180 days	**460,177**	474,775
181 to 365 days	**84,824**	3,606
Over 365 days	**64,121**	–
	2,260,610	1,740,010

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB787,122,000 (2012: RMB745,282,000) at 31 December 2013, 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.

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:

	2013 RMB'000	2012 RMB'000
Age		
0 to 90 days	**210,619**	276,442
91 to 180 days	**426,558**	465,234
181 to 365 days	**84,824**	3,606
Over 365 days	**64,121**	–
	786,122	745,282

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.

At 31 December 2013, trade receivables of RMB15,995,000 (2012: Nil) have been discounted to the banks with recourse. Accordingly, the Group continues to include these discounted receivables and has recognised the cash received as bank borrowing with the same amount (see note 24) until maturity.

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For the year ended 31 December 2013

20. Trade and other receivables *(continued)*

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:

	2013 RMB'000	2012 RMB'000
At beginning of the year	**89,269**	66,611
Allowances for the year	**5,562**	22,658
At end of the year	**94,831**	89,269

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB94,831,000 (2012: RMB89,269,000) at 31 December 2013, 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:

	2013 RMB'000	2012 RMB'000
United states dollars	**104,488**	58,829
Singapore dollars	**97,666**	74,394

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21. 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 0.30% to 0.35% per annum (2012: 0.35% to 0.50% per annum) at 31 December 2013.

The pledged bank deposits carry interest at the prevailing market rate ranging 2.80% to 3.08% per annum (2012: 2.8% to 3.3% per annum) at 31 December 2013.

At 31 December 2013 and 31 December 2012, 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 balances and cash and pledged bank deposit are the following amounts denominated in currencies other than functional currency of the group entity which it relates:

	2013 **RMB'000**	2012 RMB'000
United States dollars	**20,437**	158
Hong Kong dollars	**3,267**	64,946
Singapore dollars	**2**	18

22. Trade and Other Payables

	2013 **RMB'000**	2012 RMB'000
Trade payables	**601,521**	348,703
Bills payables	**1,136,843**	814,000
	1,738,364	1,162,703
Payroll and welfare accruals	**55,159**	35,400
Receipts in advances from customers	**230,245**	111,784
Consideration payable (note 28)	**77,925**	–
Construction work payables	**12,300**	25,249
Other tax payables	**33,502**	20,883
Other deposits	**770**	4,210
Other payables and accruals	**74,900**	44,595
	2,223,165	1,404,824

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22. 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:

	2013 RMB'000	2012 RMB'000
Age		
0 to 90 days	**1,549,514**	927,803
91 to 180 days	**178,916**	231,315
181 to 365 days	**6,131**	1,377
Over 1 year	**3,803**	2,208
	1,738,364	1,162,703

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

	2013 RMB'000	2012 RMB'000
United States dollars	**180**	38,336
Hong Kong dollars	**–**	930

23. Amounts Due to Directors

	2013 RMB'000	2012 RMB'000
Directors of the Company		
— Rui Fubin	**2,290**	1,446
— Rui Yiping	**377**	–
— Jiang Yongwei	**207**	–
— Xia Yafang	**235**	–
— Hao Minghui	**193**	–
— Chu Hui	**399**	–
	3,701	1,446

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.

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23. 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:

	2013 RMB'000	2012 RMB'000
Hong Kong dollars	–	342

24. Bank Borrowings

	2013 RMB'000	2012 RMB'000
Secured	442,948	110,500
Secured and guaranteed by a director of the Company	32,000	–
Secured and guaranteed by independent third parties	60,000	195,400
Unsecured	91,000	–
Unsecured and guaranteed by a director of the Company	242,800	–
Unsecured and guaranteed by independent third parties	2,053,388	1,628,600
	2,922,136	1,934,500
The bank borrowings comprise:		
Variable rate borrowings	377,833	553,600
Fixed rate borrowings	2,528,308	1,380,900
Discounted bills with recourse (note 20)	15,995	–
	2,922,136	1,934,500

All bank borrowings are repayable within one year at 31 December 2013 and 31 December 2012.

At 31 December 2013, the fixed rate bank borrowings carried interest ranging 5.88% to 7.20% per annum (2012: 2.50% to 7.57% per annum).

At 31 December 2013, the variable rate bank borrowings carried interest ranging from PBOC rate to 110% of PBOC rate per annum (2012: PBOC rate to 120% of PBOC rate per annum).

Included in bank borrowings are the following amounts denominated in currencies other than the functional currency of the Group entity that it relates:

	2013 RMB'000	2012 RMB'000
United States dollars	150,741	–
Singapore dollars	15,995	–

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24. 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:

	2013 RMB'000	2012 RMB'000
For bank borrowings:		
— property, plant and equipment	**194,052**	96,772
— land use rights	**175,439**	42,766
— inventories	**398,340**	434,134
For bank borrowings and bills payables:		
— pledged bank deposits	**807,642**	755,097
	1,575,473	1,328,769

25. Government Grants

	2013 RMB'000	2012 RMB'000
At beginning of the year	**4,887**	5,260
Addition during the year	**–**	100
Release during the year	**(440)**	(473)
At end of the year	**4,447**	4,887

During the year ended 31 December 2013, the Group received government subsidies of nil (2012: RMB100,000) 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.

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26. Deferred Taxation

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

	Accelerated tax depreciation RMB'000	Tax on undistributed earnings RMB'000	Revaluation of assets RMB'000	Total RMB'000
At 1 January 2012	–	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
Acquisition of subsidiaries (note 28)	–	–	25,567	25,567
(Credit) charged to profit or loss for the year (note 12)	(1,351)	10,938	(392)	9,195
At 31 December 2013	(6,559)	38,630	25,175	57,246

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 RMB'000	2012 RMB'000
Deferred tax assets	**6,559**	5,208
Deferred tax liabilities	**(63,805)**	(27,692)
	(57,246)	(22,484)

Deferred tax liability on the undistributed profits of the PRC subsidiaries earned during the year ended 31 December 2013 have been accrued at the tax rate of 10% (2012: 10%) on the expected dividend stream of 25% out of the undistributed profit of the PRC subsidiaries for each year which is determined by the directors of the Company. At 31 December 2013, an amount of approximately RMB273,069,000 (2012: RMB276,920,000) of the profits of the PRC subsidiaries 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 amounting to RMB1,272,131,000 (2012: RMB830,760,000).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB94,831,000 (31 December 2012: RMB89,269,000) 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 authority in the PRC and not intended to be claimed by the Group in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

27. Share Capital

Movements in the authorised and issue share capital of the Company 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:			
At 1 January 2012	10,000,000	100,000	
Increase pursuant to Group Reorganisation (note a)	9,990,000,000	99,900,000	
At 31 December 2012 and 31 December 2013	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2012	1	–	–
Issue of shares pursuant to Group Reorganisation (note b)	9,999,999	100,000	81
Capitalisation issue (note c)	1,190,000,000	11,900,000	9,669
Issue of shares of the Company under initial public offering (note d)	338,600,000	3,386,000	2,751
Bonus shares issued (note e)	1,538,600,000	15,386,000	12,463
At 31 December 2012 and 31 December 2013	3,077,200,000	30,772,000	24,964

Notes:

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

(b) On 25 February 2012, all the shareholders of Extra Fame, namely, Power Heritage, Furui Investments Limited ("Furui Investments") and Sinostar Holdings Limited ("Sinostar"), 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.

(c) 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.

(d) 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.

(e) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28. Acquisition of Subsidiaries

On 19 April 2013, 無錫江南電纜有限公司 (in English for identification purpose only, Wuxi Jiangnan Cable Co., Ltd) ("Jiangnan Cable"), a wholly-owned subsidiary of the Company as the purchaser, entered into a share transfer agreement (the "Agreement") with eight individual parties (collectively referred to as the "Vendors"), pursuant to which, Jiangnan Cable conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the entire equity interest in 江蘇鋥陽投資有限公司 (in English for identification purpose only, Jiangsu Zengyang Investment Company Limited) ("Jiangsu Zengyang") and its subsidiaries (the "Zengyang Investment Group") at the consideration ranging from RMB422,075,000 to RMB500,000,000 (the "Acquisition"). Jiangsu Zengyang is an investment holding company and its principal subsidiary, 江蘇中煤電纜有限公司 (in English for identification purpose only, Jiangsu Zhongmei Cable Group Co., Ltd.) ("Zhongmei Cable") is engaged in the manufacture and sale of special types of wires and cables in the PRC. In the opinion of the directors of the Company, the Acquisition will enable the Group's continual expansion of its wires and cables operations in the PRC. The details of the Acquisition can be referred to a circular issued by the Company dated 24 June 2013 (the "Circular").

Included in the Vendors are (i) Mr. Chu Hui, who is the son-in-law of Mr. Rui Fubin (the chairman of the Board, the chief executive officer and an executive director of the Company) and the brother-in-law of Mr. Rui Yiping (an executive director of the Company); (ii) Mr. Chu Kaiqiang, who is the father of Mr. Chu Hui; (iii) Ms. Chu Xi Feng, who is the sister of Mr. Chu Hui; and (iv) Mr. Zeng Guoming, who is the uncle of Mr. Chu Hui. Each of the other Vendors is a third party independent and not connected with the Company and its connected persons.

The final consideration is calculated based on a specified formula as set out in the Agreement (please refer to the Circular for details) which is based on the actual profit of the Zengyang Investment Group achieved for the year ended 31 December 2013. The Acquisition was approved by the shareholders of the Company and completed in July 2013. Upon completion and pursuant to the Agreement, an initial payment of RMB422,075,000, being the minimum amount of the consideration is paid to the Vendors.

With reference to the unaudited management accounts of the Zengyang Investment Group for the year ended 31 December 2013, in the opinion of the directors of the Company, the target profit of the Zengyang Investment Group for the year ended 31 December 2013 had been achieved and the final consideration shall be RMB500,000,000. The Acquisition has been accounted for using purchase method and a gain on bargain purchase was approximately RMB42,326,000 was recognised in profit or loss.

Consideration transferred

	RMB'000
Cash	422,075
Consideration payable (note 22)	77,925
Total	500,000

Acquisition-related costs amounting to RMB685,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, and included in other expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28. Acquisition of Subsidiaries *(continued)*

(a) Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	188,443
Land use rights	135,112
Interest in an associate	15,060
Available-for-sale investment	2,500
Trade and other receivables	764,182
Inventories	406,279
Pledged bank deposits	156,265
Bank balances and cash	34,875
Trade and other payables	(592,134)
Taxation payable	(6,889)
Bank borrowings	(535,800)
Deferred tax liability	(25,567)
	542,326

The fair value of trade and other receivables at the date of acquisition amounted to RMB764,182,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB794,145,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB29,963,000.

(b) Gain on bargain purchase

	RMB'000
Consideration transferred	500,000
Less: net assets acquired	(542,326)
Gain on bargain purchase	(42,326)

Gain from a bargain purchase of RMB42,326,000 was recognised upon completion of the Acquisition. The gain from a bargain purchase on acquisition was mainly attributable to the fair value adjustments amounting to approximately RMB102,268,000 arising from the land use rights, buildings and machineries which has not been considered and estimated during the period of negotiation of the Acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

28. Acquisition of Subsidiaries *(continued)*

(c) Net cash outflow on acquisition

	RMB'000
Cash consideration paid	422,075
Less: Cash and cash equivalent balances acquired	(34,875)
	387,200

(d) Impact of acquisition on results of the Group

Included in the profit for the year is RMB37,751,000 attributable to the additional business generated by Zengyang Investment Group. Revenue for the year includes RMB806,386,000 generated from Zengyang Investment Group.

Had the acquisition been completed on 1 January 2013, total group revenue for the year would have been RMB7,245 million, and profit for the year would have been RMB532 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

29. 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:

	2013 RMB'000	2012 RMB'000
Within one year	**3,222**	1,836
In the second to fifth year inclusive	**5,129**	970
	8,351	2,806

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

30. Capital Commitment

	2013 RMB'000	2012 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**13,927**	14,062

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

31. 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 subsidiaries are 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 (from January 2012 and up to May 2012: HK$1,000) per month from June 2012 onwards for each employee.

32. Related Parties Transactions

During the year ended 31 December 2013, the Group has sold certain of its plant and machinery with carrying amount of RMB9,586,000 to an associate, Wuxi Tech at a consideration of RMB9,586,000. The consideration was settled through current account with Wuxi Tech and included in loan to an associate in the consolidation statement of financial position.

Other than the transactions and balances with related parties above and those as disclosed in notes 17, 23, 24 and 28 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

33. 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:

	2013 RMB'000	2012 RMB'000
Non-current assets		
Property, plant and equipment	**104**	131
Investment in a subsidiary	**517,162**	517,162
	517,266	517,293
Current assets		
Other receivables	**205**	211
Amount due from subsidiaries	**116,730**	–
Bank balances and cash	**1,219**	2,631
	118,154	2,842
Current liabilities		
Other payables	**2,020**	1,364
Amount due to a director	**2,459**	–
Bank borrowings	**106,234**	–
	110,713	1,364
Net current assets	**7,441**	1,478
Net assets	**524,707**	518,771
Capital and reserves		
Share capital	**24,964**	24,964
Reserves (note 34)	**499,743**	493,807
	524,707	518,771

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

34. Reserves of the Company

	Share premium RMB'000	Special reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2012	–	–	–	–
Profit for the year	–	–	47,258	47,258
Group Reorganisation (note 27(b))	–	148,696	–	148,696
Capitalisation issue (note 27(c))	(9,669)	–	–	(9,669)
Issue of shares of the Company under initial public offering (note 27(d))	387,909	–	–	387,909
Expenses incurred in connection with issue of shares	(20,696)	–	–	(20,696)
Bonus shares issued (note 27(e))	(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
Profit for the year	–	–	93,713	93,713
Dividends recognised as distribution (note 13)	–	–	(87,777)	(87,777)
At 31 December 2013	345,081	148,696	5,966	499,743

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

35. Subsidiaries

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

Name of subsidiary	Place of incorporation/ legal entities	Issued and paid up capital	Attributable equity interest of the Group 2013 %	Attributable equity interest of the Group 2012 %	Principle country/place of operation	Principal activities
Extra Fame*	BVI/ Limited liability	USD10,438,413	**100**	100	Hong Kong	Investment holding
Jiangnan Cable	PRC/WFOE[1]	USD50,000,000	**100**	100	PRC	Manufacture of and trading in wires and cables
Jiangnan Cable (HK)	Hong Kong/ Limited liability	HKD10	**100**	100	Hong Kong	Investment holding
JNHB Trading Co., Ltd.	Hong Kong/ Limited liability	HKD100	**100**	–	Hong Kong	Trading in wires and cables
Wuxi New Suneng Composite Material Co., Ltd.	PRC/WFOE[1]	HKD141,000,000	**100**	100	PRC	Manufacture of and trading in aluminum alloy and double capacity conductors
SA Asia Cable (Proprietary) Limited	South Africa/ Limited liability	RAND1,000	**100**	100	South Africa	Trading in wires and cables
Jiangsu Zengyang	PRC/ Limited liability	RMB50,000,000	**100**	–	PRC	Investment holding
Jiangsu Zenghui Investment Co., Ltd.	PRC/ Limited liability	RMB50,000,000	**100**	–	PRC	Investment holding
Zhongmei Cable	PRC/ Limited liability	RMB250,000,000	**100**	–	PRC	Manufacture of and trading in wires and cables

* Extra Fame is directly held by the Company, other subsidiaries are indirectly held by the Company.

[1] WFOE stands for wholly-foreign owned enterprise

Financial Summary

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

	2009 RMB'000	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013 RMB'000**
Results					
Turnover	2,994,966	3,686,366	4,929,876	5,356,363	**6,477,302**
Cost of goods sold	(2,595,328)	(3,155,232)	(4,194,986)	(4,513,978)	**(5,476,949)**
Gross profit	399,638	531,134	734,890	842,385	**1,000,353**
Other income	18,682	8,414	14,434	31,785	**27,039**
Selling and distribution costs	(97,658)	(92,936)	(103,421)	(94,126)	**(109,967)**
Administrative expenses	(67,135)	(70,125)	(95,958)	(85,965)	**(132,553)**
Other expenses	(4,893)	(7,427)	(23,495)	(32,160)	**(17,507)**
Other gains and losses	7,355	(17,042)	(11,499)	(23,939)	**(5,613)**
Gain on bargain purchase	–	–	–	–	**42,326**
Share of loss of associates	–	–	–	–	**(3,492)**
Finance costs	(59,727)	(68,869)	(126,352)	(182,188)	**(195,279)**
Profit before taxation	196,262	283,149	388,599	455,792	**605,307**
Taxation	(32,706)	(51,330)	(71,154)	(79,672)	**(101,784)**
Profit for the year	163,556	231,819	317,445	376,120	**503,523**
Assets and liabilities					
Non-current assets	346,604	408,397	411,993	559,597	**896,492**
Current assets	2,163,324	2,661,182	3,773,360	4,727,050	**6,660,794**
Total assets	2,509,928	3,069,579	4,185,353	5,286,647	**7,557,286**
Current liabilities	1,929,375	2,102,216	2,977,837	3,373,271	**5,203,378**
Non-current liabilities	5,933	91,630	25,505	32,579	**68,252**
Total liabilities	1,935,308	2,193,846	3,003,342	3,405,850	**5,271,630**
Net assets	574,620	875,733	1,182,011	1,880,797	**2,285,656**