江南集團有限公司
Jiangnan Group Limited

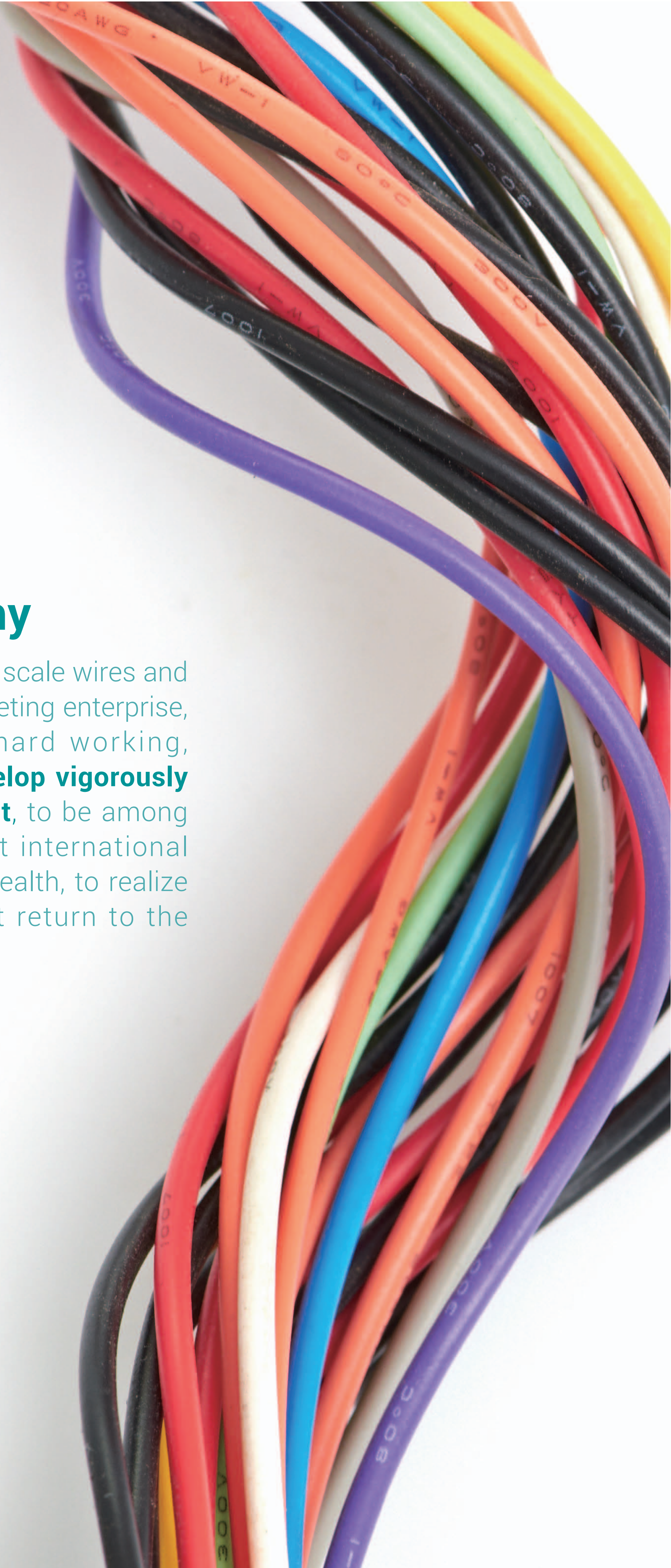
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1366

Annual Report 2014

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

2008

Obtained **National Laboratory Accreditation Certificate**

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)

MILESTONES

2010

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

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

2012

Listed on the Main Board of the HKEx

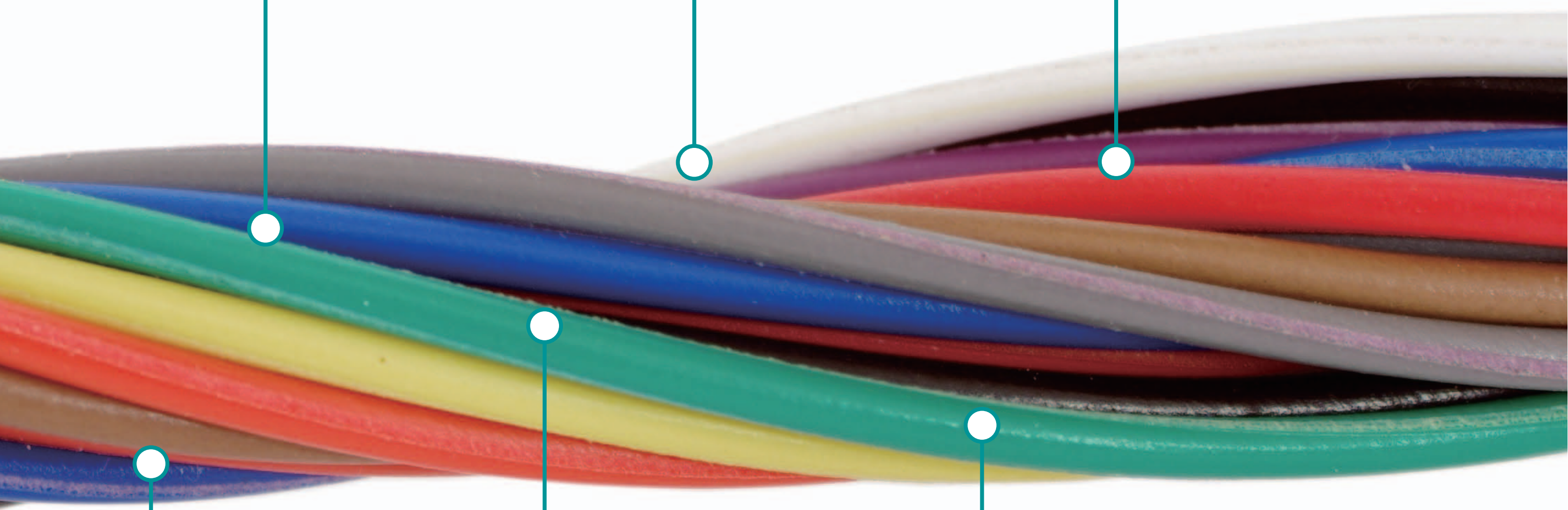
Invested in **Aluminum-alloy** and double capacity wire

Established production lines in South Africa

2014

Achieved the **highest brand evaluation** in respect of cable enterprise under "2014 China Brand Evaluation"

Successfully renewed the 5 years contract with **Eskom**



2009

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

2011

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

Secured a key account in Singapore

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” or the “Company”, 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 40 national industry standards for the manufacturing processes for

CORPORATE PROFILE

CORPORATE PROFILE

power cables, wires and cables for electrical equipment and bare wires. One of the standards 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 is the first standard for wind power cables in China. The Group has 302 patents that are material to the Group's business in the PRC. Jiangnan Group's subsidiaries in China, namely, Wuxi Jiangnan Cable Co., Ltd. ("Jiangnan Cable") and Jiangsu Zhongmei Cable Group Co., Ltd. ("Zhongmei Cable"), 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 2017 respectively. The Group's high-tech products include extra-high voltage ("EHV") cables, ultra-high voltage ("UHV") aluminum alloy bare wires, photovoltaic solar cables, 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 Gezhouba hydro-electric power, the west to east gas pipelines, 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, the high speed railways from Fuzhou to Xiamen, and the 2014 Youth Olympic in Nanjing. 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 ("Power Works") in Singapore and the National Grid of UK.

CORPORATE INFORMATION

Executive Directors

Rui Fubin *(Chairman and Chairman of the Corporate Governance Committee)*
Chu Hui *(Chief Executive Officer)*
Xia Yafang
Jiang Yongwei
Hao Minghui

Independent non-executive Directors

He Zhisong *(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)

Stock Code

1366

Website

www.jiangnangroup.com

Corporate Calendar

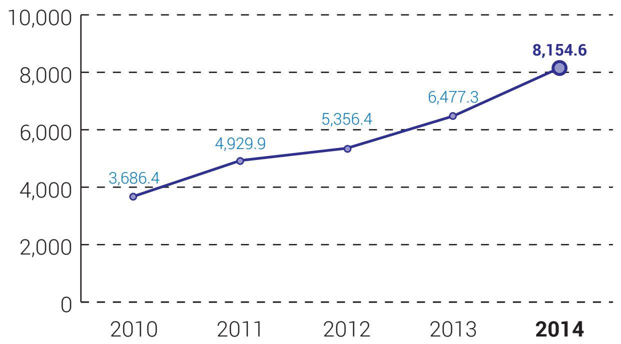
Annual General Meeting	30 April 2015

FINANCIAL HIGHLIGHTS

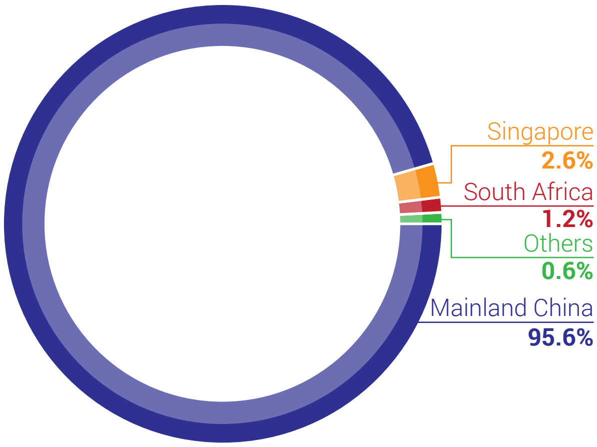
	Year ended 31 December				
	2010	2011	2012	2013	**2014**
RESULTS (RMB'000)					
Group Revenue	3,686,366	4,929,876	5,356,363	6,477,302	**8,154,555**
Profit for the year attributable to owners of the Company for the year	231,819	317,445	376,120	503,523	**626,016**
ASSETS AND LIABILITIES (RMB'000)					
Non-current assets	408,397	411,993	559,597	896,492	**869,518**
Current assets	2,661,182	3,773,360	4,727,050	6,660,794	**7,847,989**
Current liabilities	2,102,216	2,977,837	3,373,271	5,203,378	**5,414,785**
Non-current liabilities	91,630	25,505	32,579	68,252	**72,856**
FINANCIAL RATIOS					
Net margin (%)	6.3%	6.4%	7.0%	7.8%	**7.7%**
Current ratio (times)	1.27	1.27	1.40	1.28	**1.45**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	11.9	16.3	16.3	20.4	**24.8**
Net assets (HK$)	0.45	0.61	0.81	0.93	**1.20**

Total Revenue

(RMB million)



Geographical Combination



CHAIRMAN'S STATEMENT

Results

In 2014, the PRC's economic growth entered into a structural adjustment period with 7.4% growth of the annual GDP, which was the lowest growth rate for the past 24 years. Coupled with significant decrease in the price of copper, it was a challenging year for the wire and cable industry in the PRC. However, our solidarity has brought the turnover and the profit for the year of Jiangnan Group in 2014 to another year of record high.

In 2014, the Group's turnover reached approximately RMB 8,155 million, grew by approximately 25.9% as compared with that of last year. The Group's audited profit attributable to the owners of the Company for the year ended 31 December 2014 was RMB626 million, representing an increase of approximately 24.3% over 2013. Excluding the one-off gain on bargain purchase of RMB42 million incurred in 2013, the increase in the operational profit for the year attributable to owners of the Company was approximately 35.7%.

Final dividend

The board of directors (the "Board") of the Company recommended a final dividend of HK3.7 cents per share for the year ended 31 December 2014, which is subject to shareholders' approval in the forthcoming annual general meeting of the Company to be held on 30 April 2015.

Business Review

2014 has been a challenging year for the wire and cable industry in the PRC. Firstly, the price of copper declined which resulted in the drop in average selling price of most of the Group's of products. Secondly, the slowdown of the GDP growth in 2014 evidenced that the Chinese economy had entered into a new status of stable growth and structural adjustment in economy. Industries that are closely related to the national economy were also affected to a different extent. Since wires and cables are necessities of people's livelihood and economic construction, wire and cable industry has stronger resistance to risks.

Although in face of challenges, the Group still recorded impressive growth in operational profit in 2014 thanks to its dedication to every important aspect, including production, sales, research and development as well as quality control etc.

As for production, the Group has been working on efficiency improvement. During 2014, the Group had further reorganised the production lines of the three production bases located in Guanlin Town, so as to reduce time wasted on frequent changing products on same production line, save transportation time and reduce the scrap of raw material. At present, Jiangnan Cable's plant mainly produces medium to high voltage cables, Zhongmei Cable's plant mainly produces rubber cables and special power cables, while the plant of Wuxi New Suneng Composite Material Co. Ltd., an operating subsidiary of the Group in the PRC, mainly produces aluminum-alloy products. In the meantime, the Group also emphasises the importance of staff training with a view to continuously enhance the skills and productivity of its staff. Furthermore, a skill assessment system for its staff is in place. Staff will be awarded for providing feasible recommendation on the improvement of production efficiency so as to improve the enthusiasm of our staff.

Jiangnan Group has always been proud of its research and development. In 2014, the Group had applied for 81 new patents and 34 patents were obtained. The Group has 8 high and new technology products on provincial level and 16 products have passed the provincial level technological achievement evaluation. The subsidies granted by government authorities amounted to RMB19.3 million and RMB13.4 million had been recognized in 2014. Jiangnan Cable's "Research on key technology for UHV wire expansion of capacity and diameter" ("特高壓輸電線路擴徑擴容導線關鍵技術研發") was registered as the national talent recruitment project. The Group's "Low carbon emission and high efficient HVDC cables for smart grid" ("智能電網用低碳高壓直流電纜") was appraised as a Provincial Major Scientific and Technological Achievements Transformation Project.

CHAIRMAN'S STATEMENT

To further boost up sales, the Group carried out an in-depth analysis on its existing customer base in 2014. More resources had been deployed on key customers and prominent industry sectors (e.g. power sector) which could enlarge the customer base and drive the Group's revenue. Power sector was the major driving force for the Group's turnover growth in 2014.

Jiangnan Group is highly recognised for its quality management. After passing various strict assessments such as the site assessment performed by the Experts Evaluation Committee as well as public notification, Jiangnan Cable successfully obtained the 2014 Quality Award of the Mayor in Wuxi City. Jiangnan Cable was the only award-winning enterprise in the activity. This award is the highest honor of quality service established by Wuxi Municipal Government. All participants are reputable organisations in Wuxi. The award was only given to enterprises and organisations that possessed individual legal person qualification, implemented excellent management of operation performance, maintained a leading position in the industry and attained significant economic and social efficiency, as well as non-governmental institutions providing public services. Moreover, in 2014, China Council for Brand Development and China Central Television ("CCTV") jointly held the 2014 China Brand Evaluation Conference (2014年中國品牌價值評價信息發佈). In the list of valuation of brands in China in 2014, products of Jiangnan Cable earned a brand evaluation of RMB2,457 million and a brand strength of 787.33 which is the highest among all the participants of electronic and electrical industry.

Besides its operation capability, the Group also emphasized the performance of its corporate social responsibility and was devoted to environment protection. External assessment of the Green House Gas (GHG) emission of the Group for 2013 was carried out by the China Quality Certification Centre (CQC). The GHG emission of the Group was 40,878 tonnes of carbon dioxide equivalent, a decrease of approximately 6.5% as compared with 2012.

1. China market

In early 2014, the Group determined to strengthen its business exposure with power grid corporations and improve its product delivery ability so as to meet the rapid growth of grid construction demand from power grid corporations. The Group also involved in a number of key projects, including (among others) Xiluodu — Western Zhejiang UHV grid lines, Ningdong, Ningxia — Shaoxing, Zhejiang 800 kilovolt ("kV") UHV Direct Current ("DC") transmission project and conversion of overhead wires into the underground EHV cables in Hohhot. Apart from grid companies, the Group also actively participated in cables supply for renewable energy construction. In the year, the Group won bids of cables supply for various renewable energy projects. Renounced projects include 200MW Terrestrial photovoltaic power plant cables in Lankao county, 150MW photovoltaic power generation project in Heyang, Shaanxi, 30MW photovoltaic power generation project in Linuo, Inner Mongolia, 50MW photovoltaic power generation project in Huadian Xilinhot, Inner Mongolia and the Huanghai sea offshore wind power generation project in Jiangsu.

On the infrastructure construction front, leveraged on the Group's comprehensive product portfolio, the Group won bids of various urban rail and railway projects, including light rail project in Huai'an, railway transit project in Nanchang, urban railway transit in Hefei, intercity railway between Jinzhou and Pulandian Bay New Area, Xiwu railway and Suzhou railway transit projects.

As for real estate market, although the pace of the real estate construction in the PRC has slowed down, the Group still managed to maintain the growth of its relevant business by various strategies. Firstly, the Group secured stable source of income through cooperation with industry leaders such as Wanda Commercial, China State Construction and Powerlong Group. Secondly, the Group actively explored the cable markets of other construction projects, including cloud computing infrastructure, hospitals and scientific research center. In addition to power cables, the above projects consumed lots of control cables, signal cables and equipment cables, which brought a new business direction to the Group.

As a result, in 2014, the Group's business in the PRC maintained its strong momentum.

CHAIRMAN'S STATEMENT

2. Overseas Market

In 2014, the Group entered into a 5-year supply contract with Eskom in South Africa with a contract sum of Rand 24 billion. Such contract does not include supplemental contracts and other contracts for individual projects. As Eskom supplies 45% of the electricity in Africa, the intensive cooperation with Eskom would allow the Group to build a strong business presence in Africa.

In 2014, the Group further cooperated with Power Works in Singapore. In addition to the State Grid Corporation of China ("SGCC"), Power Works was also one of the Group's largest customers. The Group also provided products to the National Grid in the United Kingdom. The Group intends to improve its market shares overseas not just to enhance the Group's overseas revenue contribution but also to demonstrate that the Group's products and technology can catch up with international standard and are competitive.

In addition, in 2014, the Group also won the tender of an aluminium alloy bare wires project in Ethiopia with a contract sum of RMB18.7 million, which opened up another new market for the Group in Africa.

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 Group and hence promoted the continual uplifting standard of corporate governance. The Company has adopted a code of corporate governance, containing the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (including the amendments that were effective from 1 January 2012 and 1 April 2012). The directors of the Company (the "Directors") will use their best endeavours to procure the Company to comply with such code of corporate governance.

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 2014, the Group had bank balances of RMB1,666 million and had RMB1,305 million of pledged bank deposits. The Group had total bank borrowings of RMB2,922 million as at 31 December 2014. The Group had sufficient liquidity, and was in a sound financial position. The Group also had sufficient committed but unused banking facilities of approximately RMB1,531 million as at 31 December 2014 to meet the need of the Group's business development.

CHAIRMAN'S STATEMENT

Business prospects

Market conditions

As the PRC's economy entered into a new status in 2014, the Group would keep in line with the national policy in the coming years to deploy more resources in the following aspects to maintain a continuous growth in the Group's results.

1. ***Use of UHV wires to construct national grid network***

   In 2015, the SGCC plans to invest RMB420.2 billion in grid building. In 2014, the Chinese leaders have emphasised in many occasions that the development of interprovincial electricity transmission using UHV grid would be the cure to haze pollution. During 2014, the SGCC has completed the Northern Zhejiang — Fuzhou UHV AC project, the Xiluodu — Western Zhejiang UHV DC project, and the Southern Hami — Zhengzhou UHV DC project. Including these three projects, the PRC had built "3 AC, 4 DC" UHV lines. The construction of the Huainan — Nanjing — Shanghai, Xi Meng — Shandong UHV AC project and the Ningdong — Zhejiang UHV DC projects have officially commenced in 2014.

   The Chairman and Party Secretary of SGCC, Liu Zhenya stated in early 2015 that, UHV projects had reached a new stage of large-scale construction and rapid development. The SGCC is seeking approval for commencing the construction of a total of 14 lines, namely "6 AC, 8 DC" lines in 2015. Among the construction of the 14 lines, the West Inner Mongolia-South Tianjin 1000kv UHV AC power transmission project has been approved by the National Development and Reform Commission ("NDRC") on 16 January 2015. As 12 grid lines have to be completed by 2017 according to the state requirements, it is expected that intensive tenders of various UHV lines and equipment and their construction work would commence in 2015.

   The use of UHV grid would lead to an increase in rated voltage of electricity transmission in the country, and hence boosting the demand for EHV power cables. In addition to the construction of UHV grid, the other business objectives of the SGCC are to extend the coverage of the grids to families without electricity supply and to provide "last mile" access to customers. Accordingly, SGCC would complete the upgrade of electricity distribution network in 30 core cities and 30 non-core cities. The issues of 5 million families with low-rated voltage power supply and the weak connection of 21 county grids with the main grid would be resolved. All-in-all, the above will trigger strong demand for power cables and wires and in particular mid-rated and high-rated voltage power cables.

   The SGCC has implemented a central tendering system and the tendering process is transparent, of which, other than pricing, criteria such as service, product quality, deliverability, past performance and brand awareness are taken into consideration in the scoring system of the tendering process. Such fairness in the tendering process is more beneficial to large scale manufacturers like the Group. Besides, under the central tendering system, contract sum of each tendering package is larger than that in the past and payment term has been changed, pursuant to which no prepayment would be accepted. These systemic changes would create a huge financial burden to small and medium enterprises with financing difficulties. Following the acquisition of Zhongmei Cable, the Group has participated in the tender in the form of "Dual-Brand" and the chance of winning tender has been increased. Based on the above favorable factors, the Group expects the turnover derived from the SGCC in 2015 would continue to grow.

2. *One Belt, One Road*

"Silk Road Economic Belt and Maritime Silk Road Construction Strategic Plan"(《絲綢之路經濟帶和海上絲綢之路建設戰略規劃》) is also known as "One Belt, One Road" planning, of which "One Belt" represents the construction of westward and transcontinental Silk Road Economic Belt between Europe and Asia and "One Road" represents connection of China with different ports in Southeast Asia, South Asia and Central Asia countries by establishing 21st Century Maritime Silk Road towards the southeast regions.

Chinese President Xi Jinping announced to conduct the research on Silk Road Economic Belt and 21st Century Maritime Silk Road Plan, as well as initiate the establishment of Asian Infrastructure Investment Bank and US$40 billion Silk Road Fund to promote the development of "One Belt, One Road" at the eighth meeting of the Central Financial Work Leading Group (中央財經領導小組第八次會議) held on 4 November 2014 .

At the State Council's executive meeting held on 28 January 2015, Li Keqiang, Premier of the State Council, announced to accelerate the construction of railway, nuclear power and building materials production lines for overseas countries, to promote international cooperation and enhance the level of cooperation which encourage overseas project contracting and support overseas project investment.

Although the specific measures of "One Belt, One Road" have not yet been introduced, the following ideas can be drawn out from the dialogues between the leaders: firstly, the transportation infrastructure facility was considered to be a breakthrough for realising the early achievement of mutual access in Asia as deployment of railway and highway project between China and its neighbouring countries can be carried out in the early stage. Moreover, plant and machinery export and construction project contracting are also the focus of the policies. Secondly, in order to be in line with the implementation of "One Belt, One Road" strategy, provinces and cities across the PRC have been engaging in building relevant infrastructure, including new airports, port facilities and cross border UHV grid network. These infrastructure projects would create a strong demand for power cables.

For years, the Group has been upholding the "Going Out" strategy of the country. At present, the Group is engaged in overseas projects in three major ways: firstly, by providing products to engineering, procurement and construction ("EPC") companies for their overseas projects, eg. the Kaleta Hydroelectric Project in Guinea by China International Water and Electric Corporation, the 233MW photovoltaic project in Algeria by Sinohydro Group Limited; secondly, by providing cables to overseas plants established by the Chinese corporations, eg. the Indonesian project by Anhui Conch Cement Company Limited; and thirdly, by selling products directly to overseas customers like overseas grid corporations. Given the Group's past experience in participation of overseas projects, extensive business network with large scale state-owned EPC enterprises in China, as well as product quality with world-class standard, it is expected that the Group's overseas sales will be benefited from the implementation of the "One Belt, One Road" policy. Given the "One Belt, One Road" strategy, the Group will give priority to EPC companies when considering the Group's merger and acquisition opportunities in 2015 in order to prepare the Group's further overseas expansion.

CHAIRMAN'S STATEMENT

3. Renewable energy

Most cities in the PRC are plagued with severe air pollution and suffered from the problems of haze and smog, with PM2.5 exceedance of emission. Hence, the development of clean and renewable energy is a matter of urgency. In November 2014, the State Council published the "Action Plan for the National Energy Development Strategy (2014-2020)" (《能源發展戰略行動計劃(2014–2020年)》), calling for the development of renewable energy. In November 2014, under the China-US Joint Announcement on Climate Change (《中美氣候變化聯合聲明》), Chinese President Xi Jinping has committed that, China will achieve the peak of CO2 emissions around 2030 and to increase the share of non-fossil fuels in primary energy consumption to around 20% by 2030. Thus, the acceleration of the development of renewable energy has become a national strategy.

The PRC will accelerate the development of wind power electricity by, among others, focus on planning and building 9 large scale modern wind farms and auxiliary transmission projects in Jiuquan, West Inner Mongolia, East Inner Mongolia, Northern Hebei, Jilin, Heilongjiang, Shandong, Hami and Jiangsu. The Chinese Government would also promote distributed wind power projects to develop offshore wind power. By 2020, the installed wind power capacity would reach 200 gigawatt ("GW"), whilst by the end of 2014, the installed wind power capacity of grid connection was amounted to approximately 95 GW.

Pushing forward the development of solar power electricity would be another mission of the Chinese Government. It is expected that by 2020, the photovoltaic installed capacity would be around 100 GW. As of 2014, according to the statistics of National Energy Administration ("NEA"), the photovoltaic installed capacity was 26 GW, while new photovoltaic installed capacity in 2014 was 10 GW. The targeted new photovoltaic installed capacity in 2015 has been set at 15 GW, a 50% increase from that of 2014.

While developing photovoltaic and wind power electricity, the issue of abandon wind and light remains severe. The electricity generated was not on grid due to the bottleneck of existing grids transmission capacity. Therefore, the Chinese Government will increase its investment in grid building, especially interprovincial transmission using UHV wires to cope with the increasing installed capacity.

As for nuclear power, following the nuclear incident in Fukushima of Japan in 2012, the Chinese Government has laid aside the construction of nuclear power plants. However, on 19 November 2014, the General Office of the State Council has issued a notice, stating the government's intention to construct new nuclear power plants in its eastern coastal regions in due course using the highest international safety standards with safety ensured. Researches and studies on the construction of inland nuclear power plant were already underway. According to the original planning made by the State Council, the capacity of nuclear power plants is expected to reach 58 GW by 2020. According to the information of the International Atomic Energy Agency, the capacity of nuclear power plants in the PRC is only 20.05 GW at the moment. In order to meet the capacity as planned, the construction of nuclear power plants has to be accelerated during 2015 to 2020 to recover time lost owing to suspension of construction.

Zhongmei Cable, which was acquired by the Group in 2013, is a leading enterprise in the production of rubber cables. Zhongmei Cable's insulating material for rubber cables is made from patented technology with secret formula. Zhongmei Cable's rubber cables have the characteristic of high flexibility and tenacity and are suitable for use in wearable and moving environment. In the past, Zhongmei Cable's rubber cables were widely used in coal mining industry. With continuous efforts in research and development, the Group has successfully enhanced its special cables to apply in the field of renewable energy, such as power cables used in non-stop running wind turbines. The Group has participated in the formulation of industry standards for the rated voltage 0.6/1kv rubber insulation and sheathing wind power with twist-resistant flexible cables and photovoltaic solar cables that can withstand exposure under sunlight. As a result, the Group is expected to be benefited in the PRC's development of renewable energy.

CHAIRMAN'S STATEMENT

4. Urban Rails and High-speed Rails

Railway constructions witnessed sustained and rapid developments in China. As stated by Sheng Guangzu, the secretary of the Party Committee and the general manager of China Railway Corporation, in the work conference held on 29 January 2015, the investment in railway constructions in the PRC reached RMB808.8 billion in 2014 while the distance of new lines that had commenced construction hit a historic high of 8,427 km. Under the 12th five-year plan, the operating distance of the domestic railways will reach 120,000 km in 2015. In other words, another 8,000 km shall be accomplished in 2015. Therefore, the investment sum in 2015 will be approximate to that in 2014. The demand for wire and cable in railway constructions, especially the increasing requirements on electrification rate, has contributed stable revenue and will drive continuous growth in revenue to the Group.

Having been through the rapid developments over ten years, the number of cities with urban rail transit in the PRC increased from 3 (Beijing, Shanghai and Guangzhou) in 2000 to 22 in 2014. As at the end of 2014, the total distance of the PRC's urban rail transit was over 3,000 km. Base on existing urban planning of cities with urban rail approved to build, it is expected that the urban rails in operation in the PRC will reach 7,000 km by 2020, including metro and light rail. Merely in 2014, there were new lines of urban rail transit opened in 13 cities in the PRC, among which Changsha, Ningbo and Wuxi were the cities with urban rail transit firstly operating. There are a total of 38 cities by far with the approval to construct urban rails. According to the guidelines from the State Council, large cities with a population of over 3 million and GDP over 100 billion are entitled to construct metro urban rails. Base on the guidelines, there are over 60 cities in the PRC meet the above criteria. Metro construction is also an effective approach to alleviate traffic congestion on the ground. In view of the above, the construction of urban rails will speed up substantially in the next few years.

The Group participated in the constructions of urban rails in 9 out of 22 cities, i.e. Beijing, Tianjin, Shanghai, Shenzhen, Nanjing, Chongqing, Wuxi, Dalian and Qingdao. The Group also supplied cables to construction-in-progress projects of urban rails including Huai'an, Hefei, Shijiazhuang, Suzhou, Nanchang and other cities in 2014. Wire and cable is the artery and lifeline of rail traffic. Electric and information transmission, therefore, are both inseparable from wire and cable. As the room for laying DC traction cables is limited in the metro projects, they have to be light, flexible and easy to bend and convenient to install and repair. Based on the specific situation of the projects, the cables are generally required to be more functional in terms of fireproof, anti-oil, anti-UV and waterproof with rodent and termite protection. Due to the technical requirements above, it poses a great confinement to the competitors such that the orders of urban rails can only be secured by a few suppliers. Also owing to the high-technology cables for urban rails, the related products enjoyed a higher gross profit margin than general cables. In 2014, the Group was awarded the tender of urban rail project in Huai'an with contract sum amounted to RMB97 million and supplemental contract sum amounted to RMB30 million.

CHAIRMAN'S STATEMENT

Business Strategies

Under the current industry environment, cable enterprises who do not have sufficient financial strength and technological skill would be difficult to survive. This created opportunity for the expansion of large scale enterprises and accelerated market consolidation. The Group will seize this great opportunities arising from the industry consolidation and expedite the growth of the Group through mergers and acquisitions. With respect to acquisitions of peers in the industry, the Group has set "Three Differentiations" as the selection criteria for targets of mergers and acquisitions. The first one is product differentiation, which can enhance the product diversity of the Group through acquisitions of companies with featured products and companies that technically complement to the Group. Market differentiation comes as the second criterion, which is the ability to bring new source of customers to the Group by means of acquisitions. The third one is geographical differentiation which could help saving transportation costs. In the past, the Group had been focusing its business in Jiangsu and nearby. In the future, the Group will cultivate new markets in major provinces and cities throughout the country. Filling up the existing empty market spaces would become new growth point of the Group's sales while transportation cost would be saved. Mergers and acquisitions are conducive to the Group's expansion of its sales areas and transportation costs can be decreased substantially when appropriate acquisition targets are identified in other regions.

In addition to horizontal acquisitions, the Group intends to look for other acquisition targets on the integrated industry chain, which includes energy related construction contractor (Engineering, Procurement and Construction) downstream of the industry chain. The Group would prefer targets with solid overseas business foundation and overseas long-term contracts on hands.

The Group will align its business development strategy with the "One Belt, One Road" strategy, which includes stepping up its co-operations with existing customer like China International Water and Electric Corporation (中國水利), Sinohydro Group Limited (中國水電), China Harbour Engineering Company Ltd. (中國港灣) and China Railway Corporation (中國鐵路). To coordinate with the national general direction of constructing Maritime Silk Road, the Group will also make use of its existing customer resources and proactively develop suitable cable products, such as products for offshore oil drilling platforms, shipbuilding, micro-electric generation on islands and other aspects to capture the business opportunity.

The Group has been making every effort to develop overseas market. Alongside the "One Belt, One Road" strategy, the Group will also take the initiative and consider expanding its foothold to Southeast Asia as well as setting up sales network, with an aim to double its revenue contribution from overseas within 3 years from 2014.

Fight for stellar performance

Maximizing the shareholders' rewards has always been the development ideology of the Group. With the Group's extensive experience in the operation of the cable industry for 30 years, the investment and deployment made in the past and continuous improvement of its skills as well as research and development standard, I am convinced that our team is able to seize and be benefited from business opportunities arising from the external cooperation policies in China, and continue to improve profitability for the Group.

CHAIRMAN'S STATEMENT

Appreciation

On behalf of the Board, I would like to take this opportunity to express my gratitude to the global partners and customers for their support in the past and in the future. Also, I would like to extend my appreciation to the Board for its brilliant leadership, to our 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 and contributions. In the future, the Group will continue to bring its competitive advantage into full play, explore more domestic and overseas markets, further develop quality products and increase its market shares, with a view to laying a solid foundation for future developments and bringing fruitful results and rewards to the shareholders.

Rui Fubin
Chairman, and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the year ended 31 December 2014, the Group's revenue recorded RMB8,154.6 million, representing an increase of approximately 25.9% as compared with the same period in 2013 and profit for the year attributable to owners of the Group amounted to RMB626.0 million, representing an increase of approximately 24.3% as compared with the same period in 2013. The Group's gross profit margin for the year ended 31 December 2014 maintained at approximately 15.6% (2013: 15.4%). Basic earnings per share for the year was RMB19.77 cents (2013: RMB16.36 cents), representing an increase of approximately 20.8%.

Market Review and Business Review

In 2014, the PRC's vigorous development of power grid and renewable energy, cable market maintained its good momentum of growth. During the year, the investment made by SGCC hit a historical high, reaching RMB385.5 billion. Encouraging achievement on construction of UHV grid transmission lines, urban power grid network, rural power grid and smart grid were made. The Group's power cables which were used for the above construction remained as the main source of revenue, and accounted for approximately 66.4% of the total revenue.

In early 2014, the PRC government leaders emphasised in many occasions that the development of UHV inter-provincial power transmission lines were one of the important means to cure the haze issue of the PRC. As a result, the UHV grid construction by SGCC accelerated significantly. During the ten years between 2004 and 2013, only four UHV lines were constructed and put into operation by the grid corporations in the PRC, while in one year in 2014, three additional "one AC, two DC (一交兩直)" UHV lines were put into operation by SGCC, namely Zhejiang-Fuzhou UHV AC line, South Hami-Zhengzhou UHV DC line and Xiluodu-West Zhejiang UHV DC line. In short, there are seven "three AC, four DC (三交四直)" lines in operation by SGCC and the construction of three new UHV lines have officially commenced as at 31 December 2014.

Apart from the promotion of UHV grid construction, in 2014, SGCC also invested RMB8.47 billion to solve the connection problem for 870,000 people without electricity supply. For instance, the Tibet Networking Project was completed and put into operation. Furthermore, SGCC invested RMB13.03 billion in 2014 to solve the "low voltage" problem for 3.36 million households.

As for smart grid construction, SGCC aimed to build strong smart grid in order to promote the sustainable energy development. By continuously push forward the construction of a new generation smart transformation station expansion demonstration project, significant breakthrough was made in core technology aspects such as overall integrated design, smart equipment manufacturing and testing as well as modular construction, which helps enhance the intelligentization level of transformation station. In 2014, the Group committed to reinforce its sales to grid corporations, which aligns with SGCC's development. It is also a key driver for the growth of the Groups' revenue.

Renewable energy development is closely connected to the construction of UHV transmission grid lines. In the past, there was always a geographical uneven distribution of electricity between renewable energy supply regions and power consumption areas in the PRC. Renewable energy generation bases such as Inner Mongolia and Xinjiang were with over supply of electricity that could not be fully digest locally. Even worse, such excess electricity was not able to connect to the central grid causing lots of "abandon wind and discard light" problems. With the vigorous development of UHV grid, renewable energy development was therefore able to break through the bottleneck. In 2014, the cumulative installed capacity of photovoltaic power connected to grid for the year was 28.05 GW, representing a year-on-year increase of 60%. The cumulative installed capacity of wind power connected to grid for the year 2014 amounted to 96.37 GW, representing a year-on-year increase of 25%. In the meantime, the "abandon wind and discard light" problem was alleviated. During 2014, the Group recorded growth in sales of cables for renewable energy.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, large-scale infrastructure construction was undergone in the PRC. As for railway construction, NDRC raised its investment budget three times during the year under review. In 2014, railway construction completed with a total investment sum of RMB808.8 billion and a total length of 8,427 km, setting a historical record high. So far, the cumulative distance of PRC's railway in operation has reached 112,000 km, of which high speed rail accounted for 16,000 km. Urban rails were built in 22 cities throughout the PRC as at 2014 and there are more cities will have urban rails.

Except for railway and urban rails, 2014 had witnessed a considerable growth in the infrastructures relating to public consumption in the PRC. Infrastructure relating to public consumption are infrastructure that directly related to citizens' consumption and products with public nature such as high speed rail, railway, urban infrastructure, disaster prevention and protection, rural waste and sewage treatment, improvement of air quality and the construction of public indemnificatory housing. In 2014, according to the data of the Ministry of Water Resources, investment in water conservancy projects amounted to RMB488.1 billion, of which RMB162.7 billion was made by the central government, both representing an increase of 11% over 2013. In the same year, an investment of RMB1,200 billion was injected into the indemnificatory housing. The development of infrastructures relating to public consumption in the PRC became a catalyst of the Group's revenue. During the year ended 31 December 2014, the Group had supplied cables to projects relating to public consumption infrastructure construction. Meanwhile, the Group also actively engaged in water conservancy construction and indemnificatory housing investment.

As a whole, power grid and power construction, railway and urban rails, as well as other infrastructures related to public consumption in the PRC did contribute to the Group's growth in 2014.

For overseas sales, the Group's products had been exported to more than 50 countries and regions around the world. In the second half of 2014, the Group successfully renewed a five-year supply contract with Eskom Holdings Limited in South Africa with a total amount of 2.4 billion South African Rand. Leveraging on its stable delivery capacity and comprehensive product mix, the Group deepened its cooperation with its Singapore customer, Power Works.

The year 2014 was a tough year for some cable manufacturers. Firstly, the industry pricing mechanism for cable products is based on cost plus while the major raw material of cable products is copper. During the year under review, the average copper price of spot copper quoted on London Metal Exchange was USD6,900 per tonne, representing a year-on-year decrease of 6.37% as compared to 2013. Consequently, unit price of most products decreased, making small and medium-sized cable manufacturers, whose market shares were declining, even worse. Secondly, with the resolute anti-corruption measures being carried out nationwide, large state-owned enterprises implemented central bidding and enhanced the publicity of information so as to secure "sunshine procurement". The tender documents required for comprehensive, thorough and detail information to address the tender specifications. Therefore, sizeable enterprises with better overall capability such as the Group would prevail in the tendering process.

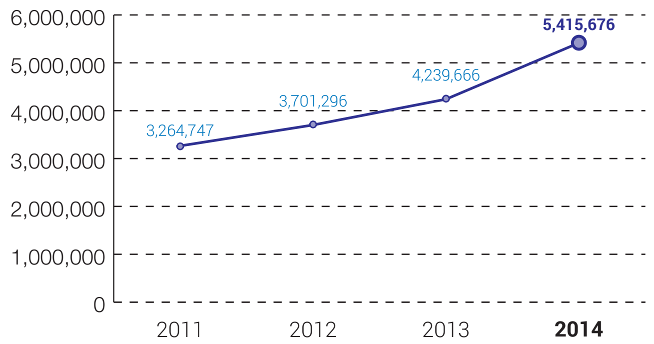
Small and medium-sized cable manufacturers were hard hit due to the above factors, which accelerated consolidation in the industry. Consequently, large cable manufacturers like the Group can attract high caliber individuals and seize larger market share. This also accounted for the Group's growth in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

Turnover of power cables

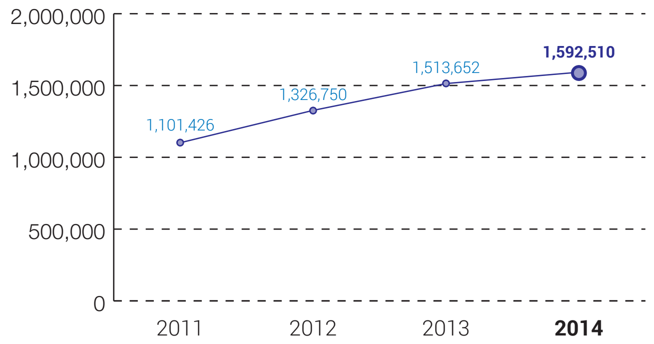
(RMB'000)



Sales of power cables, the Group's principal products in 2014 recorded continuous growth with turnover of RMB5,415.7 million, and increase of approximately 27.7% (2013: RMB4,239.7 million) and accounting for approximately 66.4% of the Group's total turnover. The sales volume for power cables increased from 69,701 km in 2013 to 105,120 km in 2014 or an increase of approximately 50.8%. The increase in sales volume was partly attributable to the increase in sales of power cables by Zhongmei Cable, the principal operating arm of a subsidiary the Group acquired in July 2013, and partly due to the Group's market oriented sales strategy adopted in 2014 which was able to capture market consolidation opportunities by taking up market shares of smaller peers during difficult operating environment in the PRC. The average selling price of power cables dropped from approximately RMB60,826 per km in 2013 to approximately RMB51,519 per km in 2014 which was mainly attributable to the decline of average copper price in 2014.

Turnover of wires and cables for electrical equipment

(RMB'000)

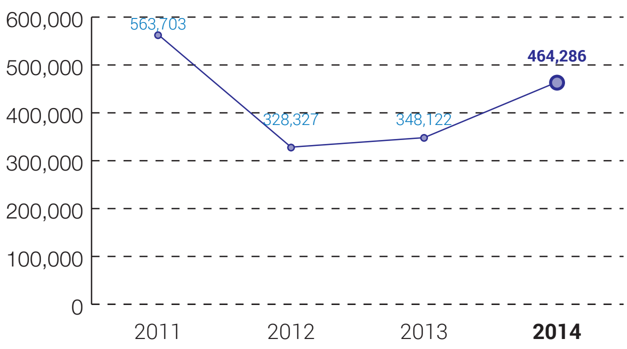


Sales of wires and cables for electrical equipment in 2014 also recorded growth with turnover of RMB1,592.5 million, an increase of approximately 5.2% (2013 of RMB1,513.7 million) and accounting for approximately 19.5% of the Group's total turnover. The sales volume for wires and cables for electrical equipment increased from 708,708 km in 2013 to 820,699 km in 2014 or an increase of approximately 15.8%. The average selling price of wires and cables for electrical equipment dropped from approximately RMB2,136 per km in 2013 to approximately RMB1,940 per km in 2014 which was mainly attributable to the decrease in raw material price of copper in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover of bare wires

(RMB'000)



Sales of bare wires also recorded growth with turnover of RMB464.3 million, an increase of approximately 33.4% (2013 of RMB348.1 million) and accounting for approximately 5.7% of the Group's total turnover. The sales volume for bare wires increased from 26,377 tonnes in 2013 to 34,823 tonnes in 2014 or an increase of approximately 32.0%. The increase in revenue and sales volume of bare wires was mainly attributable to the increase in tenders won from the grid corporations in the PRC.

Turnover of rubber cables

Sales of rubber cables increased from RMB375.9 million in 2013 to RMB682.1 million in 2014 or an increase of approximately 81.5%. The sales volume of rubber cables achieved 40,345 km in 2014, an increase of approximately 108.7% as compared to the sales volume of 19,328 km in 2013. The increase of turnover of rubber cables was mainly contributed by the increase in turnover of Zhongmei Cable contributed to the Group, the principal subsidiary of Jiangsu Zengyang Investment Company Limited ("Jiangsu Zengyang") which the Group acquired in July 2013. The increase in turnover of rubber cables contributed by Zhongmei Cable was mainly due to that the Group recorded a full year turnover from Zhongmei Cable in 2014 while only 5 months' turnover from August 2013 to December 2013 of Zhongmei Cable was consolidated to the Group in 2013.

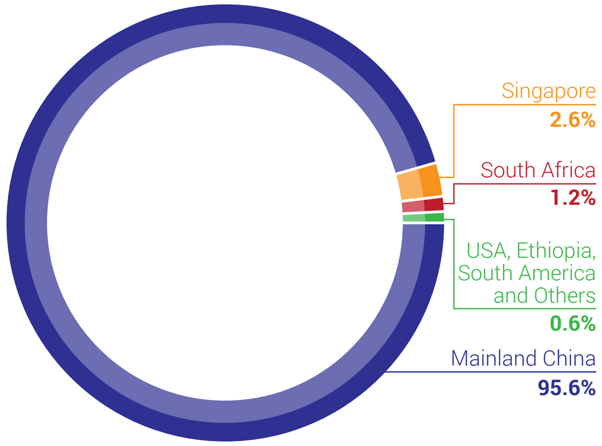
Revenue by Geographical Markets

The PRC market remains the Group's key market. Sales to the PRC market in 2014 increased by approximately 28.1% to RMB7,796.7 million and accounted for approximately 95.6% of the total revenue. Such 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. The Group also benefited from national supported policies on power and infrastructure sectors. The Group was also able to capture market consolidation opportunities by taking up market share of smaller peers during difficult operating environment in the PRC. Regions or provinces that recorded significant increase in turnover included Jiangsu, Anhui, Liaoning, Xinjiang and Ningxia.

Overseas markets revenue remained stable. Sales to South Africa increased approximately by 14.5% as a result of one of the Group's major customers, Eskom has renewed a new five years procurement contract with the Group in the second half of 2014. Sales to Singapore also increased from RMB196.1 million in 2013 to RMB214.3 million in 2014, which was due to bigger size contracts gained from one of the Group's major customers, Power Works.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical Combination 2014



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 approximately 96.2% of cost of goods sold in 2014, of which copper and aluminium are the major raw materials accounted for approximately 80.0% of cost of goods sold in 2014. Direct labour costs remained stable and accounted for approximately 0.9% of total cost of goods sold in 2014. The balance of approximately 2.9% of the cost of goods sold in 2014 was attributable to production costs which mainly consists of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs.

Gross profit and gross profit margin

The gross profit increased by RMB270.9 million, or approximately 27.1%, from RMB1,000.4 million for the year ended 31 December 2013 to RMB1,271.2 million for the year ended 31 December 2014. Gross profit margin slightly increased from approximately 15.4% for the year ended 31 December 2013 to approximately 15.6% for the year ended 31 December 2014. 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 16.8% for the year ended 31 December 2013 to approximately 16.5% for the year ended 31 December 2014 due to increase in sales of lower-end general cable products by the Group as a whole after consolidating a full year result of Zhongmei Cable which was acquired in July 2013. Gross profit margin for wires and cables for electrical equipment increased by approximately 1.2%, from approximately 10.1% for the year ended 31 December 2013 to approximately 11.3% for the year ended 31 December 2014 due to the sale of higher profit margin projects used for public utilities projects such as hospital. The gross profit margin for bare wires decreased by approximately 3.1% from approximately 12.6% for the year ended 31 December 2013 to approximately 9.5% for the year ended 31 December 2014. The decrease in gross profit margin for bare wires was mainly attributable to the increase in sales of bare wires in the PRC with gross profit margin generally lower than selling overseas. Gross profit margin for rubber cables decreased by approximately 2.6% from approximately 24.8% for the year ended 31 December 2013 to approximately 22.2% for the year ended 31 December 2014. The decrease was due to the gross profit margin for the year ended 31 December 2013 reflected higher margin during peak season which the Group only accounted for the peak season’s performance after the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company in 2014 increased by approximately 24.3% from RMB503.5 million for the year ended 31 December 2013 to RMB626.0 million for the year ended 31 December 2014. The increase was in line with the increase in turnover.

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 RMB25.0 million, or approximately 22.8%, from RMB110.0 million for the year ended 31 December 2013 to RMB135.0 million for the year ended 31 December 2014. The increase in selling and distribution costs was mainly due to the increase in transportation costs which was in line with the increase in turnover.

Administrative expenses

Administrative expenses increased by RMB15.4 million, or approximately 11.6%, from RMB132.6 million for the year ended 31 December 2013 to RMB148.0 million for the year ended 31 December 2014 mainly due to the increase in legal and professional fee, depreciation, salaries and rental expenses. The administrative expenses as the percentage of revenue was approximately 1.8% (2013: approximately 2.0%), the decrease was mainly due to more stringent cost control and some administrative expenses being fixed costs.

Other expenses

Other expenses which composed of research and development cost increased by approximately 34.2% from RMB17.5 million for the year ended 31 December 2013 to RMB23.5 million for the year ended 31 December 2014, primary due to increase in research and development spending for a larger enterprise after combining the full year operation of Zhongmei Cable in 2014.

Other gains and losses

Other gains and losses composed of bad debt expense and loss on disposal of property, plant and equipment. Other gains and losses increased by approximately 282% from RMB5.6 million for the year ended 31 December 2013 to RMB21.4 million for the year ended 31 December 2014 due to increase in provision of bad debt for long outstanding receivables.

Finance Costs

Finance costs increased by approximately 24.0% from RMB195.3 million in 2013 to RMB242.1 million in 2014 mainly due to the increase in bank financing driven by increase in working capital need as a result of business growth. Finance costs as percentage of turnover remained stable at approximately 3.0% in both 2013 and 2014.

Taxation

The Group's taxation increased by RMB30.3 million, or approximately 29.8%, from RMB101.8 million for the year ended 31 December 2013 to RMB132.1 million for the year ended 31 December 2014. This increase in taxation was mainly due to an increase in taxable income. The effective tax rate increased from approximately 16.8% in 2013 to approximately 17.4% in 2014 due to the increase in the PRC income tax withheld for dividend distribution.

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 2014, the Group had 3,087 employees with 3,019 based in the PRC, 65 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	357
Finance control and accounting	118
Procurement	12
Production and quality assurance	1,967
Sales and marketing	422
Research and development	211
Total	3,087

Notes:

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

2. 142 professional quality management personnel are included in the production and quality assurance department.

3. 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 2014, the basic earnings per share increased to HK24.7 cents (or RMB19.77 cents), as compared with HK20.4 cents (or RMB16.36 cents) for the year ended 31 December 2013. The calculation of the basic and diluted earnings per share is based on the profit for the year attributable to owners of the Company of RMB626.0 million (2013: RMB503.5 million) and on the weighted average number of 3,166,317,014 (2013: 3,077,200,000) ordinary shares. The weighted average number of shares in 2014 has taken into account the issue of 317,950,000 ordinary shares ("Subscription Shares") on 19 September 2014 and the cancellation of 14,570,000 ordinary shares repurchased on 25 November 2014.

The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of these warrants was higher than the average market price of the shares of the Company for the year ended 31 December 2014.

Liquidity and financial resources

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial position of the Group

1. Shareholders' Equity

The Group maintains a solid financial position, the shareholders' equity increased to RMB3,229.9 million as at 31 December 2014 from RMB2,285.7 million as at 31 December 2013, an increase of approximately 41.3%. This was partly attributable to the total comprehensive income generated in 2014 added to equity attributable to owners of the Company and partly due to the issue of the Subscription Shares on 19 September 2014.

2. Assets

As at 31 December 2014, total assets of the Group amounted to RMB8,717.5 million (31 December 2013: RMB7,557.3 million).

Non-current assets decreased by approximately 3.0% from RMB896.5 million as at 31 December 2013 to RMB869.5 million as at 31 December 2014. The decrease was mainly due to depreciation of property, plant and equipment.

Current assets increased by approximately 17.8% from RMB6,660.8 million as at 31 December 2013 to RMB7,848.0 million as at 31 December 2014 mainly due to increase in inventories and receivables as a result of increase in turnover during 2014 as well as increase in sales order with goods yet to deliver.

As at 31 December 2014, the Group had bank balances and cash of RMB1,666.2 million (2013: RMB1,682.6 million). The Group also had pledged bank deposits of RMB1,304.5 million (2013: RMB807.6 million). Majority of bank balances and cash were in Renminbi ("RMB").

3. Borrowings

As at 31 December 2014, the total borrowings of the Group consist of bank borrowings amounted to approximately RMB2,922.2 million (2013: RMB2,922.1 million), of which 100% was repayable within one year. As at 31 December 2014, the extent of fixed interest rate bank borrowings amounted to RMB2,129.8 million (2013: RMB2,528.3 million).

As at 31 December 2014, 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 negative RMB48.4 million over total equity of RMB3,229.9 million, dropped from approximately 18.9% as at 31 December 2013 to approximately -1.5% as at 31 December 2014. The decrease was due to large amount of net cash generated from operating activities towards the end of the year 2014 and the issue of the Subscription Shares on 19 September 2014.

As at 31 December 2014, the gearing ratio or total debt to total assets ratio of the Group decreased to approximately 62.9% from approximately 69.8% as at 31 December 2013. The decrease was due to the increase in current assets while the total debt remained stable.

In addition, the Group had sufficient committed but unused banking facilities of approximately RMB1,530.7 million as at 31 December 2014 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 2014 were RMB221.0 million, RMB171.5 million and RMB315.0 million respectively (2013: RMB194.1 million, RMB175.4 million and RMB398.3 million) respectively. Please refer to Note 24 to the Consolidated Financial Statements for details of charges on Group assets. No borrowing costs were capitalised during the year ended 31 December 2014.

Of the Group's total bank borrowings, majority of short-term borrowings were made by the Group's subsidiaries, Jiangnan Cable and Zhongmei Cable. These loans were not guaranteed by the Company.

The Group's borrowings are mainly denominated in Renminbi ("RMB") and carry People's Bank of China plus rates. Please refer to Note 24 to the Consolidated Financial Statements for details of bank borrowings denominated in currencies other than RMB.

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 2014, the five largest trade and bills receivables represent approximately 10.4% (2013: 8.3%) 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 interest rates at a premium or discount to the People's Bank of China's interest rates. As its revenue is mainly denominated in RMB and major expenses are made either in RMB or HK Dollars, the Group faces relatively low currency risk.

3. Commodity risk

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

4. Foreign currency risk

The Group had certain transactions that are denominated in foreign currencies, which make its results of operation susceptible to foreign currency risk. During the year ended 31 December 2014, sales denominated in currencies other than the functional currency of the group entity which it relates represented approximately 4% (2013: 6%) 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 2014, 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 2014. 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.

Prospects

As the PRC's Prospects economy entered into a new status in 2014, the Group would keep in line with the national policy in the coming years to deploy more resources in the following aspects to maintain a continuous and rapid growth in the Group's results.

In 2015, the SGCC plans to invest RMB420.2 billion in grid building, including the construction of UHV transmission grid lines, which represents an increase of 24% as compared to investment in 2014. SGCC would also complete the transformation of electricity distribution network in 30 core cities and 30 non-core cities. All-in-all, the above will trigger strong demand for power cables and wires and in particular mid-rated and high-rated voltage power cables.

With the deployment of "One Belt, One Road" ("一帶一路") planning in the coming years, the transportation infrastructure projects between the PRC and its neighbouring countries can be carried out. Moreover, plant and machinery export and construction project contracting are also the focus of the policies. In order to be in line with the implementation of "One Belt, One Road" strategy, provinces and cities across the PRC have been engaging in relevant infrastructure construction projects, including new airports, port facilities and cross border UHV grid network. All of the above would create a strong demand for wires and cables.

MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, most cities in the PRC are plagued with severe air pollution and suffered from the problems of haze and smog, with PM2.5 exceedance of emission. Hence, the development of clean and renewable energy is in uttermost urgency. Disregard whether it is to construct new photovoltaic site, nuclear power plant or wind power farm, special wires and cables are needed. To resolve the connection bottleneck issue and reduce the renewable energy redundancy, the UHV grid network construction has been set as the mission for bridging the distant renewable energy sources to high electricity consumption cities in the PRC.

The construction of railway and urban rails are still in a fast pace and investment budget for railway construction in 2015 is approximately RMB800 billion. Planned urban rails in operation in the PRC will reach 7,000 km by 2020, while the length as at the end of 2014 was only 3,000 km. With the need to build railway and urban rails and to enhance the electrification rate, the demand for wires and cables is expected to be strong.

In the coming years, the Group will seize the great opportunities arising from the industry consolidation and expedite the growth of the Group through mergers and acquisitions. The Group intends to look for acquisition targets on the integrated industry chain, which includes EPC (Engineering, Procurement and Construction) contractors downstream of the industry chain. The Group has been making every effort to develop overseas market. Alongside the "One Belt, One Road" strategy, the Group will take the initiative and consider expanding its foothold to Southeast Asia as well as setting up sales network, with an aim to double its overseas revenue contribution within 3 years from 2014.

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 2014 ("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 prior to 7 July 2014, with Mr. Rui Fubin performing these two roles. The Board considered that the balance of power and authority for the arrangement during 1 January to 7 July 2014 would not be impaired as all major decisions were made in consultation with the Board members and the senior management of the Company. In light of the prevailing circumstances, the Group has reviewed the structure. On 7 July 2014, Mr. Rui Fubin resigned as the chief executive officer of the Company and Mr. Chu Hui, was appointed as the chief executive officer of the Company.

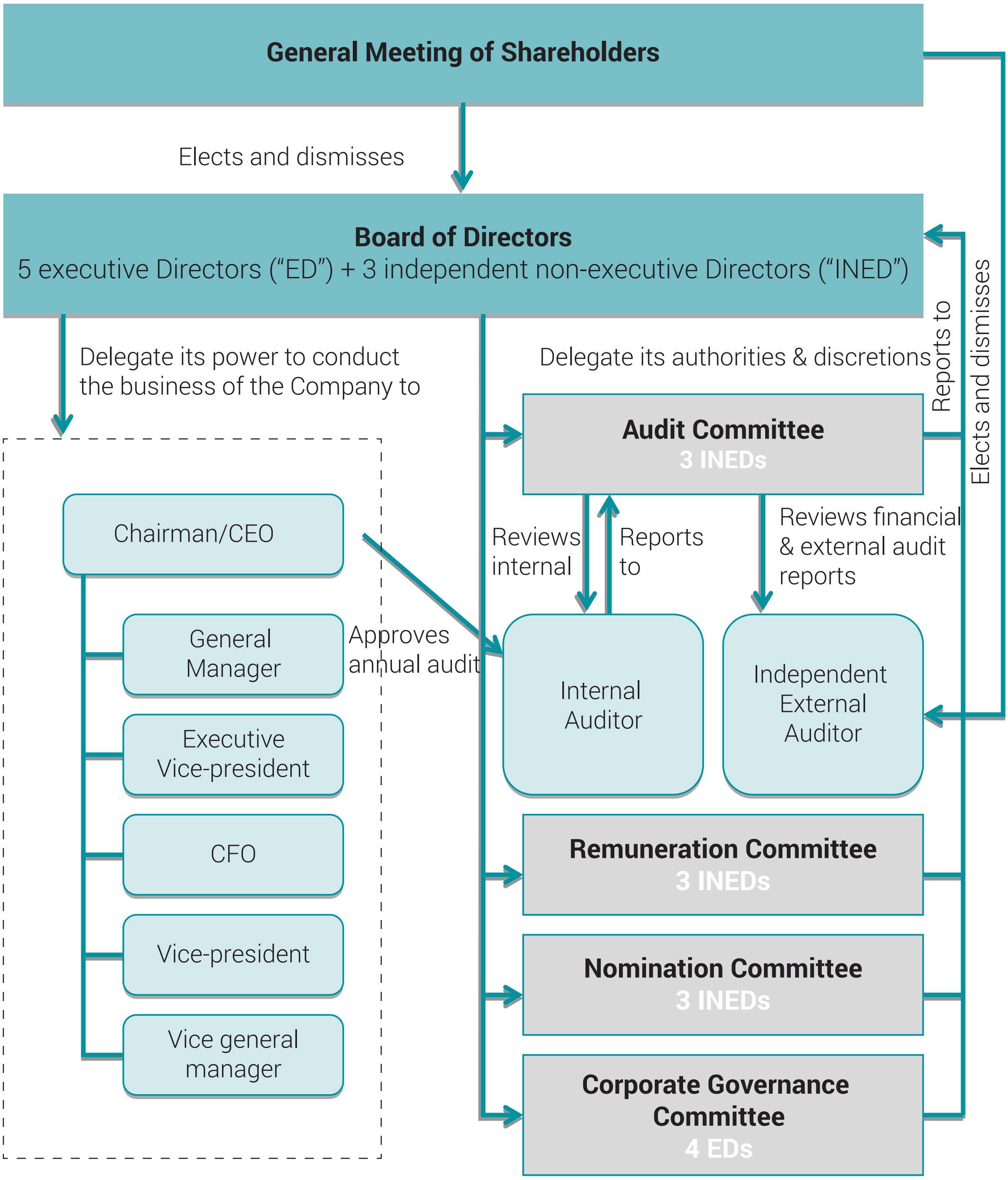
Model code for securities transactions by Directors

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 2014, the Company has 5 executive Directors and 3 independent non-executive Directors. Biographical details of the Directors are set out in pages 41 to 44 in this annual report. 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 2014:

Executive Directors

Mr. Rui Fubin (Chairman of the Board and the Corporate Governance Committee)
Mr. Chu Hui (Chief Executive Officer, Member of 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)
Mr. Rui Yiping (resigned on 8 July 2014)

Independent non-Executive Directors

Mr. Poon Yick Pang Philip (Chairman of the Audit Committee, Member of the Remuneration Committee and the Nomination Committee)
Mr. He Zhisong (Chairman of the Remuneration Committee and the Nomination Committee, Member of the Audit Committee)
Mr. Yang Rongkai (Member of the Audit Committee, the Remuneration Committee and the Nomination Committee)
Mr. Wu Changshun (resigned on 10 December 2014)

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 2014, 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.

Chairman and Chief Executive Officer

During the year ended 31 December 2014 and as at the date of this report, Mr. Rui Fubin is the Chairman of the Company. From 1 January 2014 to 6 July 2014, Mr. Rui Fubin was the Chief Executive Officer of the Company and Mr. Chu Hui has been the Chief Executive Officer of the Company since 7 July 2014. Since 7 July 2014, the Chairman and the Chief Executive Officer of the Company have segregated and clearly defined roles. The Chairman provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's overall business and development strategies, and daily management generally.

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 2014.

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. Eight 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

Eight Board meetings and one general meeting ("General Meeting") were held during the year. The attendance record of each Director at Board meetings and the General Meeting during the year is set out below:

Directors	Attendance at Board meetings	Attendance at General Meeting
Executive Directors		
Mr. Rui Fubin *(Chairman)*	8	1
Mr. Chu Hui	8	1
Mr. Rui Yiping (Mr. Rui resigned on 8 July 2014 and five Board meetings were held on or after his resignation)	3	0
Ms. Xia Yafang	8	1
Mr. Jiang Yongwei	8	0
Mr. Hao Minghui	8	1
Independent Non-executive Directors		
Mr. He Zhisong	6	0
Mr. Wu Changshun (Mr. Wu resigned on 10 December 2014 and one Board meeting was held on or after his resignation)	6	0
Mr. Yang Rongkai	6	0
Mr. Poon Yick Pang Philip	7	1

Directors' continuing professional development programme

All Directors are encouraged to and had confirmed that they had complied with the Code Provision A.6.5 of the GC Code for the year ended 31 December 2014, 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 requirements relating to connected transactions under the Listing Rules.

Independent non-Executive Directors

The independent non-executive Directors are re-appointed on a term of three years commencing on 1 March 2015. 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 in one of the Committee meetings reviewed and recommended the appointment of Mr. Chu Hui as the Chief Executive Officer and reviewed his remuneration.

Membership and Attendance	
Members	**Attendance**
Executive Director	
Mr. Rui Yiping (resigned on 8 July 2014)	2
Independent Non-executive Directors	
Mr. Wu Changshun (resigned on 10 December 2014)	2
Mr. He Zhisong *(Chairman of the Remuneration Committee)*	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.

The Board has 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 process of the nomination of Directors is led by the Nomination Committee which has been made on a merit basis. The Board considers that its current composition have achieved good diversity in terms of education background and professional experience.

During the year, three Nomination Committee meetings were held. The Nomination Committee had reviewed and recommended the Board to appoint Mr. Chu Hui as the Chief Executive Officer in one of the Committee meetings. The Nomination Committee also reviewed the structure, the number of members and the composition of the Board.

Membership and Attendance	
Members	**Attendance**
Executive Director	
Mr. Rui Yiping (resigned on 8 July 2014 and one Committee meeting was held after his resignation)	2
Independent Non-executive Directors	
Mr. Wu Changshun (resigned on 10 December 2014)	3
Mr. He Zhisong *(Chairman of the Nomination Committee)*	3
Mr. Yang Rongkai	3
Mr. Poon Yick Pang Philip	3

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, two Audit Committee meetings were held. The Audit Committee had reviewed the Company's accounts, results as at 31 December 2013 and results as at 30 June 2014 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)*	2
Mr. Wu Changshun (resigned on 10 December 2014)	2
Mr. He Zhisong	2
Mr. Yang Rongkai	2

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

Membership and Attendance	
Members	**Attendance**
Executive Directors	
Mr. Rui Fubin *(Chairman of the Corporate Governance Committee)*	1
Mr. Chu Hui	1
Mr. Rui Yiping (resigned on 8 July 2014)	1
Mr. Jiang Yongwei	1
Mr. Hao Minghui	1

Accountability and audit

Financial reporting

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

The responsibilities of Deloitte Touche Tohmatsu, Certified Public Accountants, the external auditor of the Company ("Auditor"), are stated in the Independent Auditor's Report of the Company's 2014 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 2014 amounted to HK$2,280,000 (2013: HK$2,180,000).

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 meeting at least 20 clear business days before the meeting.

During the general meeting 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 operations in Yixing 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 2014, 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

Mr. Rui Fubin, aged 66, was appointed as the Company's Director on 4 January 2011, appointed as the Chairman 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. 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) Limited ("Jiangnan 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-in-law of Mr. Chu Hui, an executive Director and the chief executive officer of the Company. Mr. Rui is the uncle of the spouse of Mr. Jiang Yongwei, executive Director and vice president of the Company. 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), Chief executive officer

Mr. Chu Hui, aged 43, has over 20 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 wholly owned 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. Mr. Chu has been a director of Extra Fame and Jiangnan HK since July 2014. 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 and an executive Director), the spouse of Mr. Chu Hui is the cousin of the spouse of Mr. Jiang Yongwei (an executive Director).

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

Ms. Xia Yafang, aged 42, 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 over 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.

Mr. Jiang Yongwei (蔣永衛), vice president

Mr. Jiang Yongwei, aged 48, 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 21 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 and executive Director, and his spouse is a cousin of the spouse of Mr. Chu Hui, an executive Director and the chief executive officer of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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 21 years of experience in the wire and cable industry in the PRC. Mr. Hao completed the advanced study of a business management course offered by the Business Management Research Centre of the Renmin University of China in August 2002. In December 2003, Mr. Hao was accredited as a senior member of the Chinese Enterprise Operation and Management Talent Bank by National Talent Service Centre under the Ministry of Human Resources. Mr. Hao has also obtained the qualification certificate of international professional manager issued by the China International Professional Manager Association and China International Talent Development Centre.

Independent non-executive Directors

Mr. He Zhisong (何植松)

Mr. He Zhisong, aged 45, 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 Zhong Lun Law Firm. 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. Yang Rongkai (楊榮凱)

Mr. Yang Rongkai, aged 55, 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 45, 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. Mr. Poon had been taken up senior finance position in companies listed in Hong Kong and United States of America. 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
Jiang Yongwei				M
Hao Minghui				M
He Zhisong	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 61, 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. Chan Man Kiu (陳文喬), aged 53, is the chief financial officer and company secretary. Mr. Chan joined the Group in January 2011. Mr. Chan has over 30 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. Cao Shunkang (曹順康), aged 44, is the financial controller in China. Mr. Cao joined Jiangsu Zhongmei Cable Co. Ltd., a subsidiary of the Group in 2004. He was appointed as the financial controller of Wuxi Jiangnan Cable Co. Ltd. in September 2014 and responsible for account and financial matters of the Group's operations in China. From July 1997 to May 2003, Mr. Cao was an accountant in Yixing Xin Fang Supply and Marketing Cooperation and had rich experience in statistic, accounting, office administration and operation controls. Mr. Cao is a qualified accountant in China. Mr. Cao studied management and economic and graduated from Jiangnan University in 1991. Mr. Cao furthered his study in finance and graduated from China University of Geosciences in 2013.

Mr. Qiu Tianhua (仇田華), aged 59, 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 2014.

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 36 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55 and the state of affairs of the Group as at 31 December 2014 are set out in the consolidated statement of financial position on page 56.

An interim dividend of HK2.5 cents per share amounting to HK$76,930,000 (approximately RMB60,739,000) in aggregate was paid to the Shareholders whose names appeared on the register of members of the Company on 12 September 2014 during the year ended 31 December 2014.

Subsequent to the end of the reporting period, the Board recommended a final dividend ("Final Dividend") of HK3.7 cents per share for the year ended 31 December 2014 (2013: HK3.3 cents) to the Shareholders which is subject to shareholders' approval in the forthcoming annual general meeting to be held on 30 April 2015 ("AGM").

Subject to the approval of the Shareholders at the AGM, it is expected that the Final Dividend will be paid on or around 3 June 2015 to the Shareholders whose names appear in the register of members of the Company on 15 May 2015.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 57.

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 RMB957,852,000 (2013: RMB499,743,000) as at 31 December 2014. 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$33.7 million of the net proceeds was used for expansion of the Group's production facilities for high and extra-high voltage cables, approximately HK$35.9 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 allocated for acquisition had been fully utilised for acquisition of Jiangsu Zengyang in 2013.

DIRECTORS' REPORT

Financial summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 108.

An analysis of the Group's results by segment for the year ended 31 December 2014 is set out in note 7 to the consolidated financial statements.

Property, plant and equipment

During the year, the Group had made additions to buildings at a cost of RMB48,000, furniture, fixtures and equipment at a cost of RMB1,789,000, plant and machinery at a cost of RMB7,350,000, motor vehicles at a cost of RMB9,063,000, and construction in progress at a cost of RMB10,018,000.

Details of movements during the year ended 31 December 2014 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 2014 in the share capital of the Company are set out in note 28 to the consolidated financial statements.

Share premium and reserves

Details of movements during the year ended 31 December 2014 in the share premium and reserves of the Group are set out on the consolidated statement of changes in equity on page 57.

Directors

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

Chairman and Executive Director

Mr. Rui Fubin

Executive Directors

Ms. Chu Hui
Mr. Rui Yiping (resigned on 8 July 2014)
Ms. Xia Yafang
Mr. Jiang Yongwei
Mr. Hao Minghui

Independent Non-executive Directors

Mr. He Zhisong
Mr. Wu Changshun (resigned on 10 December 2014)
Mr. Yang Rongkai
Mr. Poon Yick Pang Philip

In accordance with Article 84(1) of the Company's Articles of Association, Mr. Rui Fubin, Ms. Xia Yafang and Mr. Jiang Yongwei shall retire by rotation at the AGM, and being eligible, offer himself, for re-election.

The Directors' biographical information is set out on pages 41 to 44.

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 new 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 March 2015 save and except Mr. Hao Minghui ("Mr. Hao") and 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 re-appointed for a fixed term of three years from 1 March 2015 to 28 February 2018.

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 2014, 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
Chu Hui	The Company	Beneficial owner	167,286,000 ordinary shares	4.95%
Rui Fubin	The Company	Interest of controlled corporation	1,696,800,000 ordinary shares (Note)	50.19%
Rui Fubin	Power Heritage Group Limited	Beneficial owner	83 ordinary shares	83%
Xia Yafang	The Company	Beneficial owner	112,000 ordinary shares	0.003%

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 2014.

Mr. Rui Fubin is a director of Power Heritage Group Limited. Save as disclosed above, none of the Directors is a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Substantial Shareholders

As at 31 December 2014, 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	1,696,800,000	50.19%
Ms. Shi Mingxian (Note 2)	Interest of spouse (Note 2)	1,696,800,000	50.19%

Notes:

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

(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 2014, 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

During the year ended 31 December 2014, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

The Board confirms that the related party transactions as disclosed in note 33 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.

Contracts of significance

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 2014.

DIRECTORS' REPORT

Directors' interests in competing business

During the year ended 31 December 2014 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 2014.

Non-competing Undertaking

Power Heritage Group Limited (the controlling shareholder of the Company), Mr. Rui Fubin (Chairman and an executive Director) and Mr. Rui Yiping (resigned as an executive Director on 8 July 2014) ("Covenanters") have entered into the deed of non-competition ("Deed of Non-competition") in favour of the Group dated 25 February 2012, pursuant to which, each of them has undertaken not to directly or indirectly engage in the business which might compete with the Group. Mr. Rui Yiping ceased to be required to comply with the Deed of Non-competition since his resignation as an executive Director on 8 July 2014.

The Company has adopted the following measures to monitor that the Deed of Non-competition has been complied with during the year ended 31 December 2014:

(a) the Covenanters have advised the Company that during the year under review, they have not been offered of or became aware of any projects or new business opportunities which relates to the Restricted Business;

(b) the Company has requested the Covenanters to inform the Board of any possible non-compliance with the Deed of Non-competition from time to time as and when it arises and agree to provide all information requested by the Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertaking. For the year under review, the Covenanters have complied with the Deed of Non-competition and as such no information has been provided; and

(c) the independent non-executive Directors enquired, assessed and reviewed the compliance with the non-competition undertaking by the Covenanters.

After 31 December 2014, Power Heritage Group Limited and Mr. Rui Fubin have provided written annual declaration on compliance with their non-competition undertaking for the year under review to the Company.

Arrangement to purchase shares or debentures

At no time during the year ended 31 December 2014 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$1,500 where the employees's monthly relevant income exceeds HK$30,000 with effect from 1 June 2014 (HK$1,250 where the employee's monthly relevant income exceeds HK$25,000 before 1 June 2014)). 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 2014, the Group made contribution to the MPF Scheme amounting to approximately HK$66,500.

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. During the year ended 31 December 2014, the Group made contribution to the Social Insurance in PRC amounting to approximately RMB17.3 million.

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

Pre-emptive rights

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

Sufficiency of public float

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

Charitable donations

Charitable donations made by the Group during the year ended 31 December 2014 amounted to RMB87,892 (2013: RMB1,311).

Major customers and suppliers

For the year ended 31 December 2014, the Group's largest customer accounted for approximately 2.8% (2013: 3.8%) of the Group's revenue and the five largest customers of the Group accounted for approximately 9.2% (2013: 10.9%) of the Group's revenue. For the year ended 31 December 2014, the Group's largest supplier accounted for approximately 34.9% (2013: 40.8%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 79.2% (2013: 91.0%) of the Group's purchases for the year.

At no time during the year ended 31 December 2014 did a Director, a close 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.

DIRECTORS' REPORT

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2014, the Company had repurchased a total of 14,570,000 shares in the Company on the Stock Exchange pursuant to the general mandate to repurchase shares granted by the Shareholders at the annual general meeting held on 23 May 2014, details of which were as follows:

Date	Number of shares purchased	Price per share Highest price paid HK$	 Lowest price paid HK$	Total paid HK$
23, 24, 29 and 30 October 2014	14,570,000	1.62	1.39	22,360,000

All shares repurchased were cancelled and accordingly the Company's issued share capital was reduced by the nominal value of these shares. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's share during the year ended 31 December 2014.

Issue of New Shares

On 11 September 2014, the Company entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue 317,950,000 ordinary shares of HK$0.01 each ("Subscription Shares") with an aggregated nominal value of HK$3,179,500 to not less than six subscribers independent of the Company and its connected persons (has the meaning under the Listing Rules). The subscribers (being professional, institutional and other investors) conditionally agreed to subscribe for 317,950,000 Subscription Shares in cash at a subscription price of HK$1.95 per Subscription Share ("Subscription"). The closing price per share of the Company was HK$2.17. Completion of the Subscription took place on 19 September 2014 and the Company received gross proceeds from issue of such Subscription Shares of RMB490,546,000 (approximately HK$620,003,000) and net proceeds of approximately HK$606,941,000 The net subscription price per Subscription Share is HK$1.91. The Directors considered the Subscription a good opportunity to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company. The Company intends to use the net proceeds from the Subscription for establishing production facilities and production lines, investment in cable related business as well as working capital of the Group.

Issue of Warrants

On 23 April 2014, the Company issued to six subscribers unlisted 150,000,000 warrants conferring the rights to the holders thereof to subscribe up to an aggregate of HK$255,000,000 for shares of the Company, at the issue price of HK$0.01 per warrant. Each warrant carries the right to subscribe for one share of the Company at an initial subscription price of HK$1.70 per share, for a period of two years commencing from 23 April 2014. The gross proceeds and the net proceeds derived from the issue of the warrants are HK$1,500,000 and approximately HK$1,400,000 respectively. Details of the issue of the warrants are set out in the Company's announcements dated 9 April 2014 and 23 April 2014.

Auditor

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2014. 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 and Executive Director
Hong Kong, 10 March 2015

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 55 to 107, which comprise the consolidated statement of financial position as at 31 December 2014, 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 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 2014, 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

10 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Turnover	7	**8,154,555**	6,477,302
Cost of goods sold		**(6,883,326)**	(5,476,949)
Gross profit		**1,271,229**	1,000,353
Other income	8	**58,442**	27,039
Selling and distribution costs		**(134,999)**	(109,967)
Administrative expenses		**(147,993)**	(132,553)
Other expenses		**(23,491)**	(17,507)
Other gains and losses		**(21,450)**	(5,613)
Gain on bargain purchase	29	**–**	42,326
Share of loss of associates		**(1,544)**	(3,492)
Finance costs	9	**(242,055)**	(195,279)
Profit before taxation	10	**758,139**	605,307
Taxation	12	**(132,123)**	(101,784)
Profit for the year attributable to owners of the Company		**626,016**	503,523
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(4,546)**	(10,887)
Total comprehensive income for the year attributable to owners of the Company		**621,470**	492,636
Earnings per share	14		
— Basic		**RMB19.77 cents**	RMB16.36 cents
— Diluted		**RMB19.77 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	15	**601,990**	632,910
Land use rights	16	**203,939**	207,706
Interest in associates	17	**14,650**	15,188
Loan to an associate	17	**25,179**	30,369
Available-for-sale investment	18	**2,500**	2,500
Deferred tax assets	27	**5,072**	6,559
Deposit paid for acquisition of property, plant and equipment		**16,188**	1,260
		869,518	896,492
Current assets			
Inventories	19	**2,168,635**	1,842,221
Trade and other receivables	20	**2,708,697**	2,328,373
Pledged bank deposits	21	**1,304,504**	807,642
Bank balances and cash	21	**1,666,153**	1,682,558
		7,847,989	6,660,794
Current liabilities			
Trade and other payables	22	**2,409,990**	2,223,165
Amounts due to directors	23	**4,000**	3,701
Bank borrowings	24	**2,922,221**	2,922,136
Taxation payable		**78,364**	54,376
Obligation under a finance lease	25	**210**	–
		5,414,785	5,203,378
Net current assets		**2,433,204**	1,457,416
Total assets less current liabilities		**3,302,722**	2,353,908
Non-current liabilities			
Government grants	26	**10,187**	4,447
Deferred tax liabilities	27	**62,297**	63,805
Obligation under a finance lease	25	**372**	–
		72,856	68,252
		3,229,866	2,285,656
Capital and reserves			
Share capital	28	**27,364**	24,964
Reserves		**3,202,502**	2,260,692
		3,229,866	2,285,656

The consolidated financial statements on pages 55 to 107 were approved and authorised for issue by the Board of Directors on 10 March 2015 and are signed on its behalf by:

Rui Fubin
DIRECTOR

Chu Hui
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Warrant reserve RMB'000 (Note 28 (c))	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 2013	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
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	(4,546)	–	(4,546)
Profit for the year	–	–	–	–	–	–	–	626,016	626,016
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(4,546)	626,016	621,470
Issue of shares (Note 28 (a))	2,515	477,696	–	–	–	–	–	–	480,211
Issue of warrants	–	–	–	1,200	–	–	–	–	1,200
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(140,914)	(140,914)
Share re-purchased and cancelled (Note 28 (b))	(115)	(17,642)	–	–	–	–	–	–	(17,757)
Transfers	–	–	–	–	–	66,033	–	(66,033)	–
At 31 December 2014	27,364	805,135	148,696	1,200	77,351	258,092	(23,666)	1,935,694	3,229,866

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 a 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 its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**758,139**	605,307
Adjustments for:			
Interest income		**(41,000)**	(20,930)
Finance costs		**242,055**	195,279
Depreciation of property, plant and equipment		**56,449**	47,528
Loss on disposal of property, plant and equipment		**450**	51
Operating lease rentals in respect of land use rights		**5,283**	3,353
Release of government grants		**(2,260)**	(440)
Allowance for bad and doubtful debts		**21,000**	5,562
Gain on bargain purchase		**–**	(42,326)
Share of loss of associates		**1,544**	3,492
Operating cash flows before movements in working capital		**1,041,660**	796,876
Increase in inventories		**(326,414)**	(432,646)
(Increase) decrease in trade and other receivables		**(401,324)**	264,745
Increase in trade and other payables		**264,936**	148,282
Cash generated from operations		**578,858**	777,257
PRC income tax paid		**(108,156)**	(77,603)
Net cash generated from operating activities		**470,702**	699,654
Investing activities			
Interest received		**41,000**	20,930
Proceeds from disposal of property, plant and equipment		**513**	5,912
Purchase of property, plant and equipment		**(26,426)**	(22,223)
Deposits paid for acquisition of property, plant and equipment		**(16,188)**	(1,260)
Additions to land use rights		**(1,516)**	–
Government grants received		**8,000**	–
Consideration paid for subsidiaries previously acquired		**(77,925)**	–
Acquisition of subsidiaries	29	**–**	(387,200)
Advance to an associate		**(6,236)**	(47,503)
Repayment from an associate		**8,083**	23,100
Investment in an associate		**–**	(283)
Release of pledged bank deposits		**1,941,085**	1,788,303
Bank deposits pledged		**(2,437,947)**	(1,684,583)
Net cash used in investing activities		**(567,557)**	(304,807)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Financing activities		
Interest paid	**(242,241)**	(200,682)
Dividends paid	**(140,914)**	(87,777)
New bank borrowings raised	**4,489,634**	3,242,936
Repayment of bank borrowings	**(4,492,312)**	(2,791,100)
Advances from directors	**55,486**	3,368
Repayment to directors	**(55,187)**	(1,113)
Issue of shares	**490,546**	–
Expense in connection with issue of shares	**(10,335)**	–
Repurchase of shares	**(17,757)**	–
Proceeds from issue of warrants	**1,200**	–
Net cash generated from financing activities	**78,120**	165,632
Net (decrease) increase in cash and cash equivalents	**(18,735)**	560,479
Cash and cash equivalents at beginning of the year	**1,682,558**	1,137,741
Effect of foreign exchange rate changes	**2,330**	(15,662)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**1,666,153**	1,682,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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.

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

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

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)–INT 21	Levies

The application of the 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 the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

(continued)

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[3]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[4]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 "Financial instruments" *(continued)*

- 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.

The Directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's equity investment that is currently classified as available-for-sale investment may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The Directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

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.

When a group entity transacts with an associate of the Group, 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.

3. Significant Accounting Policies *(continued)*

Revenue recognition

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

Revenue from the sales of goods is recognised when 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

3. Significant Accounting Policies *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

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 immediately in profit or loss.

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 immediately in profit or loss.

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 instruments.

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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

Interest income is recognised by applying the effective interest rate except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are 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).

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, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

For financial assets that are 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. 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. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

Financial liabilities and equity instruments

Debt 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 and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

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

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years items that are never taxable or deductible. The Group's 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. 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 deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

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.

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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period 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 into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. Significant Accounting Policies *(continued)*

Government grants

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

Retirement benefits costs

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

4. Capital Risk Management

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

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

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

5. Key Sources of Estimation Uncertainty

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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, 2014, the carrying amount of property, plant and equipment is approximately RMB601,990,000 (2013: RMB632,910,000).

Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale was concluded. At 31 December 2014, the carrying amount of inventories are approximately RMB2,168,635,000 (2013: RMB1,842,221,000).

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 2014, the carrying amount of trade receivables are approximately RMB2,395,729,000 (2013: RMB2,005,593,000) (net of allowance for bad and doubtful debts of RMB115,831,000 (2013: RMB94,831,000) as at 31 December 2014).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**5,671,072**	4,564,774
Available-for-sale investment	**2,500**	2,500
Financial liabilities		
Amortised cost	**4,975,479**	4,755,196

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Interest rate risk *(continued)*

If the interest rates on pledged bank deposits, bank balances and bank borrowings had been 25 basis points (2013: 25 basis points) lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2014 RMB'000	2013 RMB'000
Decrease in profit for the year	**5,837**	5,244

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 2014, approximately 4% (2013: 6%) 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:

	2014		2013	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
United States dollars	**61,751**	**45,029**	124,925	150,921
Hong Kong dollars	**87,822**	**143,613**	3,267	–
Singapore dollars	**135,398**	**–**	97,668	15,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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% (2013: 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% (2013: 5%) change in foreign currency rates. If the RMB strengthens 5% (2013: 5%) against the relevant foreign currencies, the increase (decrease) in profit for the year is as follows:

	2014 **RMB'000**	2013 RMB'000
United States dollars	**(711)**	1,105
Hong Kong dollars	**2,371**	(139)
Singapore dollars	**(5,754)**	(3,471)

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 RMB274,563,000 (2013: RMB188,207,000), representing approximately 10.4% (2013: 8.3%) of the total trade and bills receivables at 31 December 2014. The largest trade and bills receivable from a customer by itself accounted for approximately 3.7% (2013: 4.3%) of the total trade and bills receivables at 31 December 2014. 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 2014

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	1 year to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2014						
Trade and other payables	**–**	**2,036,958**	**–**	**–**	**2,036,958**	**2,036,958**
Construction work payables	**–**	**–**	**12,300**	**–**	**12,300**	**12,300**
Amounts due to directors	**–**	**4,000**	**–**	**–**	**4,000**	**4,000**
Discounted bills with recourse	**–**	**158,218**	**–**	**–**	**158,218**	**158,218**
Bank borrowings:						
— variable rate	**5.47**	**343,540**	**306,222**	**–**	**649,762**	**634,203**
— fixed rate	**6.22**	**1,012,575**	**1,184,001**	**–**	**2,196,576**	**2,129,800**
		3,555,291	**1,502,523**	**–**	**5,057,814**	**4,975,479**
Obligation under a finance lease	**4.85**	**117**	**117**	**388**	**622**	**582**
		3,555,408	**1,502,640**	**388**	**5,058,436**	**4,976,061**
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2014

7. Turnover and Segment Information *(continued)*

The information of segment results are as follows:

	2014 RMB'000	2013 RMB'000
Revenue		
— power cables	**5,415,676**	4,239,666
— wires and cables for electrical equipment	**1,592,510**	1,513,652
— bare wires	**464,286**	348,122
— rubber cables	**682,083**	375,862
	8,154,555	6,477,302
Cost of goods sold		
— power cables	**4,519,992**	3,529,243
— wires and cables for electrical equipment	**1,412,508**	1,360,743
— bare wires	**420,389**	304,363
— rubber cables	**530,437**	282,600
	6,883,326	5,476,949
Segment results		
— power cables	**895,684**	710,423
— wires and cables for electrical equipment	**180,002**	152,909
— bare wires	**43,897**	43,759
— rubber cables	**151,646**	93,262
	1,271,229	1,000,353

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

	2014 RMB'000	2013 RMB'000
Reportable segment results	**1,271,229**	1,000,353
Unallocated income and expenses		
— Other income	**58,442**	27,039
— Selling and distribution costs	**(134,999)**	(109,967)
— Administrative expenses	**(147,993)**	(132,553)
— Other expenses	**(23,491)**	(17,507)
— Other gains and losses	**(21,450)**	(5,613)
— Gain on bargain purchase	**–**	42,326
— Share of loss of associates	**(1,544)**	(3,492)
— Finance costs	**(242,055)**	(195,279)
Profit before taxation	**758,139**	605,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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:

	2014 RMB'000	2013 RMB'000
Turnover		
— PRC (country of domicile)	**7,796,686**	6,088,424
— Singapore	**214,321**	196,059
— South Africa	**96,988**	84,697
— Ethiopia	**18,673**	–
— United Kingdom	**16,456**	–
— South America	**9,720**	12,760
— Macau	**1,436**	1,878
— Australia	**275**	141
— Vietnam	**–**	86,846
— United States	**–**	5,330
— Laos	**–**	1,167
	8,154,555	6,477,302

The Group mainly operates in two principal geographical areas — the PRC (excluding Hong Kong) and South Africa. At 31 December 2014, approximately 96.9% (2013: 96.0%) 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

	2014 RMB'000	2013 RMB'000
Interest income	**41,000**	20,930
Government subsidies (Note)	**13,412**	1,886
Others	**4,030**	4,223
	58,442	27,039

Note: Included in the amount are RMB927,000 (2013: RMB440,000) and RMB1,333,000 (2013: nil) representing deferred income on government subsidies recognised during the year in relation to capital expenditure on property, plant and equipment over the useful lives of the related assets and technological research and development projects over the project lives, respectively. 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 2014

9. Finance Costs

	2014 RMB'000	2013 RMB'000
Interests on bank loans wholly repayable within five years	242,055	200,682
Less: Amount capitalised	–	(5,403)
	242,055	195,279

No borrowing costs capitalised during the year ended 31 December 2014. Borrowing costs capitalised in prior year arose on the general borrowing pool and are calculated by applying a capitalisation rate, 6.40% per annum for the Group's expenditure on qualifying assets.

10. Profit before Taxation

	2014 RMB'000	2013 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 11)	3,342	3,387
Other staff cost:		
Salaries and other benefits	133,801	114,167
Contributions to retirement benefit scheme	18,103	14,509
Total staff costs	155,246	132,063
Less: Staff costs included in research and development costs	(11,689)	(10,352)
	143,557	121,711
Depreciation of property, plant and equipment	56,449	47,528
Less: Depreciation included in research and development costs	(2,871)	(1,797)
	53,578	45,731
Allowance for bad and doubtful debts (included in other gains and losses)	21,000	5,562
Auditor's remuneration	2,550	2,315
Cost of inventories recognised as expenses	6,883,326	5,476,949
Acquisition-related costs (included in other expenses)	–	685
Loss on disposal of property, plant and equipment (included in other gains and losses)	450	51
Minimum lease payment under operating lease in respect of property	3,947	951
Operating lease rentals in respect of land use rights	5,283	3,353
Research and development costs (included in other expenses)	23,491	16,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 allowances RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
For the year ended 31 December 2014					
Executive directors:					
Chi Hui (note a)	**–**	**602**	**–**	**19**	**621**
Rui Fubin (note b)	**–**	**843**	**–**	**9**	**852**
Rui Yiping (note c)	**–**	**316**	**–**	**4**	**320**
Jiang Yongwei	**–**	**361**	**–**	**8**	**369**
Xia Yafang	**–**	**421**	**–**	**8**	**429**
Hao Minghui	**–**	**361**	**–**	**–**	**361**
Independent non-executive directors:					
Philip Poon Yick Pang	**158**	**–**	**–**	**–**	**158**
He Zhisong	**79**	**–**	**–**	**–**	**79**
Yang Rongkai	**79**	**–**	**–**	**–**	**79**
Wu Changshun (note d)	**74**	**–**	**–**	**–**	**74**
	390	**2,904**	**–**	**48**	**3,342**
For the year ended 31 December 2013					
Executive directors:					
Chi Hui (note a)	–	376	–	–	376
Rui Fubin (note b)	–	840	–	–	840
Rui Yiping	–	600	–	9	609
Jiang Yongwei	–	360	–	9	369
Xia Yafang	–	420	–	9	429
Hao Minghui	–	360	–	9	369
Independent non-executive directors:					
Philip Poon Yick Pang	158	–	–	–	158
He Zhisong	79	–	–	–	79
Yang Rongkai	79	–	–	–	79
Wu Changshun	79	–	–	–	79
	395	2,956	–	36	3,387

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Notes:

(a) Mr. Chi Hui was appointed by the Company as executive director on 18 July 2013 and as chief executive officer ("CEO") of the Company on 7 July 2014 and his emoluments disclosed above include those services rendered by him as the CEO of the Company since his appointment.

(b) Mr. Rui Fubin is also the chairman of the board of directors and 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. He resigned as CEO of the Company on 7 July 2014.

(c) Mr. Rui Yiping resigned as an executive director of the Company on 8 July 2014.

(d) Mr. Wu Changshun resigned as an independent non-executive director of the Company on 10 December 2014.

The five highest paid individuals for the year ended 31 December 2014 included four (2013: four) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2013: one) individual, for the year were as follows:

	2014 RMB'000	2013 RMB'000
Employees		
— basic salaries and allowances	**947**	951
— bonus	**–**	554
— retirement benefits scheme contributions	**13**	12
	960	1,517

The emoluments of the one (2013: one) individual with the highest emoluments is within the following bands:

	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000	**–**	–
HK$1,000,000 to HK$1,500,000	**1**	–
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. Taxation

	2014 RMB'000	2013 RMB'000
The charge comprises:		
PRC income tax	**132,144**	92,559
South Africa corporate tax	**–**	30
Deferred taxation (note 27)	**(21)**	9,195
Taxation charge for the year	**132,123**	101,784

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. ("無錫江南電纜有限公司") ("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. ("江蘇中煤電纜有限公司") ("Zhongmei Cable") was also entitled to a reduced PRC income tax rate of 15% till next renewal in 2017.

Taxation arising in South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax is calculated at 28% of the assessable profit during both years.

Dividend distributed to foreign investors out of the profit generated for 1 January 2008 onwards shall be subject to EIT at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Details Implementation Rules in the PRC. According to 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.

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:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**758,139**	605,307
Tax at the applicable tax rate (Note)	**189,535**	151,327
Tax effect of expenses not deductible for tax purposes	**8,700**	7,945
Tax effect of income not taxable for tax purposes	**(1,512)**	(12,586)
Tax effect of tax concession granted to PRC subsidiaries	**(79,071)**	(60,572)
Tax effect of research and development super-deduction	**(1,463)**	(2,592)
Tax effect of deductible temporary differences not recognised	**2,586**	2,922
Tax effect of share of loses of associates	**417**	873
Withholding tax on undistributed earnings	**13,725**	10,938
Others	**(794)**	3,529
Taxation charge for the year	**132,123**	101,784

Note: The application income tax rate represents PRC income tax rate at 25% (2013: 25%) for the year ended 31 December 2014 as the Group's operations are substantially based in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. Dividends

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
2014 Interim dividend — HK2.5 cents (2013: 2013 Interim dividend HK1.4 cents) per share	**60,739**	34,137
2013 Final dividend — HK3.3 cents (2013: 2012 Final dividend of HK2.2 cents) per share	**80,175**	53,640
	140,914	87,777

Subsequent to the end of the reporting period, a final dividend of HK3.7 cents in respect of the year ended 31 December 2014 (2013: HK3.3 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.

14. Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for the year is based on the following data:

	2014 RMB'000	2013 RMB'000
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**626,016**	503,523
Number of Shares		
Weighted average number of ordinary shares for the purpose of calculation of basic and diluted earnings per share	**3,166,317,014**	3,077,200,000

The computation of diluted earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of the shares of the Company for the year ended 31 December 2014.

No diluted earnings per share was presented as there was no potential ordinary shares during the year ended 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2013	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 29)	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
Currency realignment	(88)	(1,213)	(586)	(215)	–	(2,102)
Additions	48	7,350	9,063	1,789	10,018	28,268
Disposals	–	(821)	(1,122)	(506)	–	(2,449)
Transfer	27,445	1,384	–	3	(28,832)	–
At 31 December 2014	346,214	363,460	31,137	25,757	93,943	860,511
DEPRECIATION						
At 1 January 2013	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
Currency realignment	(8)	(4)	(193)	(121)	–	(326)
Provided for the year	16,580	32,101	5,253	2,515	–	56,449
Eliminated on disposal	–	(707)	(331)	(448)	–	(1,486)
At 31 December 2014	70,563	154,189	17,231	16,538	–	258,521
CARRYING VALUES						
At 31 December 2014	275,651	209,271	13,906	9,219	93,943	601,990
At 31 December 2013	264,818	233,961	11,280	10,094	112,757	632,910

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

At 31 December 2014, the Group pledged certain of its buildings and machinery with carrying value of RMB108,936,000 and RMB112,052,000, respectively, (2013: RMB120,944,000 and RMB73,108,000, respectively) to certain banks to secure credit facilities granted to the Group.

During the year ended 31 December 2014, nil interest expenses (2013: RMB5,403,000) have been capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	2014 RMB'000	2013 RMB'000
Carrying amount		
At beginning of the year	**212,987**	81,228
Addition	**1,516**	–
Acquisition of subsidiaries (note 29)	**–**	135,112
Charged to profit or loss for the year	**(5,283)**	(3,353)
At end of the year	**209,220**	212,987
Analysed for reporting purposes as:		
Current portion (note 20)	**5,281**	5,281
Non-current portion	**203,939**	207,706
	209,220	212,987

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 2014 and 31 December 2013, the Group has pledged the land use rights held by subsidiaries of the Group with a carrying amount of RMB171,454,000 (2013: RMB175,439,000) to certain banks to secure the credit facilities granted to the Group.

17. Interest in Associates/Loan to an Associate

	2014 RMB'000	2013 RMB'000
Cost of investment in associates, unlisted	**15,322**	15,343
Impairment loss recognised	**(262)**	(283)
Share of post-acquisition (losses) profit and other comprehensive (expense) income, net of dividends received	**(410)**	128
	14,650	15,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	2014 RMB'000	2013 RMB'000
Loan to an associate	**29,522**	33,706
Less: Share of post-acquisition losses that are in excess of the cost of the investment	**(4,343)**	(3,337)
	25,179	30,369

The loan to an associate is unsecured, bearing interest at 7% per annum and in the opinion of the directors of the Company, not expect to be repayable within one year.

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
				2014	2013	2014	2013	
江蘇和順典當有限公司 ("江蘇和順")	Incorporated	PRC	PRC	**30%**	30%	**30%**	30%	Business of pawn broking
Wuxi Tech (Proprietary) Ltd. ("Wuxi Tech")	Incorporated	South Africa	South Africa	**49%**	49%	**49%**	49%	Manufacture of 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 the Group's significant accounting policies.

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

江蘇和順

	2014 RMB'000	2013 RMB'000
Current assets	**51,695**	49,761
Non-current assets	**552**	1,234
Current liabilities	**(3,413)**	(367)
Net assets	**48,834**	50,628
Revenue	**4,078**	5,221
(Loss) profit and total comprehensive (expense) income for the year	**(1,794)**	426

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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:

	2014 RMB'000	2013 RMB'000
Net assets of 江蘇和順	**48,834**	50,628
Proportion of the Group's ownership interest in 江蘇和順	**30%**	30%
Carrying amount of the Group's interest in 江蘇和順	**14,650**	15,188

Wuxi Tech

	2014 RMB'000	2013 RMB'000
Current assets	**43,879**	19,348
Non-current assets	**9,086**	8,494
Current liabilities	**(30,920)**	(15)
Non-current liabilities	**(29,522)**	(33,750)
Net liabilities	**(7,477)**	(5,923)
Revenue	**27,032**	8,877
Loss and total comprehensive expense for the year	**(2,052)**	(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.

	2014 RMB'000	2013 RMB'000
Net liabilities of Wuxi Tech	**(7,477)**	(5,923)
Proportion of the Group's ownership interest in Wuxi Tech	**49%**	49%
	(3,664)	(2,902)
Effect of net liabilities not recognised by the Group	**3,664**	2,902
Carrying amount of the Group's interest in Wuxi Tech	**–**	–

18. Available-For-Sale Investment

The amount represents the Group's 0.38% (2013: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. Inventories

	2014 RMB'000	2013 RMB'000
Raw materials	**88,402**	88,962
Work in progress	**1,236,943**	965,589
Finished goods	**843,290**	787,670
	2,168,635	1,842,221

At 31 December 2014, the Group pledged certain of its inventories with an aggregate carrying value of RMB315,000,000 (2013: RMB398,340,000) to certain banks to secure credit facilities granted to the Group.

20. Trade and Other Receivables

	2014 RMB'000	2013 RMB'000
Trade receivables, net	**2,395,729**	2,005,593
Bills receivable	**233,472**	255,017
	2,629,201	2,260,610
Current portion of land use rights (Note 16)	**5,281**	5,281
Deposits paid to suppliers	**7,810**	4,490
Prepayments	**13,298**	6,946
Staff advances	**4,933**	5,549
Tender deposits	**40,737**	38,411
VAT tax receivables	**150**	983
Other receivables	**7,287**	6,103
	2,708,697	2,328,373

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 2014

20. Trade and Other Receivables *(continued)*

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

	2014 **RMB'000**	2013 RMB'000
Age		
0 to 90 days	**1,661,286**	1,651,488
91 to 180 days	**673,807**	460,177
181 to 365 days	**259,001**	84,824
Over 365 days	**35,107**	64,121
	2,629,201	2,260,610

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB1,076,518,000 (31 December 2013: RMB786,122,000) at 31 December 2014, 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:

	2014 **RMB'000**	2013 RMB'000
Age		
0 to 90 days	**128,249**	210,619
91 to 180 days	**654,161**	426,558
181 to 365 days	**259,001**	84,824
Over 365 days	**35,107**	64,121
	1,076,518	786,122

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 2014, trade receivables of RMB158,218,000 (2013: RMB15,995,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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:

	2014 **RMB'000**	2013 RMB'000
At beginning of the year	**94,831**	89,269
Allowance for the year	**21,000**	5,562
At end of the year	**115,831**	94,831

Included in the allowance for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB115,831,000 (2013: RMB94,831,000) at 31 December 2014, 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:

	2014 **RMB'000**	2013 RMB'000
United States dollars	**16,164**	104,488
Hong Kong dollars	**215**	–
Singapore dollars	**98,160**	97,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 0.01% to 4.40% per annum (2013: 0.30% to 0.35% per annum) at 31 December 2014.

The pledged bank deposits carry interest at the prevailing market rate ranging 3.30% to 5.50% per annum (2013: 2.80% to 3.08% per annum) at 31 December 2014.

At 31 December 2014 and 31 December 2013, the entire pledged bank deposits represents deposits pledged to banks to secure the short-term bank facilities drawn and the issuance of bills payable by the Group.

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

	2014 **RMB'000**	2013 RMB'000
United States dollars	**45,587**	20,437
Hong Kong dollars	**87,607**	3,267
Singapore dollars	**37,238**	2

22. Trade and Other Payables

	2014 **RMB'000**	2013 RMB'000
Trade payable	**480,408**	601,521
Bills payable	**1,512,183**	1,136,843
	1,992,591	1,738,364
Payroll and welfare accruals	**69,149**	55,159
Receipts in advance from customers	**244,493**	230,245
Consideration payable (Note 29)	**–**	77,925
Construction work payables	**12,300**	12,300
Other tax payables	**21,357**	33,502
Other deposits	**398**	770
Other payables and accruals	**69,702**	74,900
	2,409,990	2,223,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 the invoice date at the end of the reporting period:

	2014 RMB'000	2013 RMB'000
Age		
0 to 90 days	**1,844,527**	1,549,514
91 to 180 days	**121,705**	178,916
181 to 365 days	**11,220**	6,131
Over 1 year	**15,139**	3,803
	1,992,591	1,738,364

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

	2014 RMB'000	2013 RMB'000
United States dollars	**180**	180
Hong Kong dollars	**679**	–

23. Amounts Due to Directors

	2014 RMB'000	2013 RMB'000
Directors of the Company		
— Chu Hui	**765**	399
— Rui Fubin	**1,794**	2,290
— Rui Yiping	**–**	377
— Jiang Yongwei	**395**	207
— Xia Yafang	**399**	235
— Hao Minghui	**380**	193
— Philip Poon Yick Pang	**133**	–
— He Zhisong	**67**	–
— Yang Rongkai	**67**	–
	4,000	3,701

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. Bank Borrowings

	2014 RMB'000	2013 RMB'000
Secured	**576,962**	442,948
Secured and guaranteed by a director of the Company	**32,000**	32,000
Secured and guaranteed by independent third parties	**427,000**	60,000
Unsecured	**460,669**	91,000
Unsecured and guaranteed by a director of the Company	**–**	242,800
Unsecured and guaranteed by independent third parties	**1,425,590**	2,053,388
	2,922,221	2,922,136
The bank borrowings comprise:		
Variable rate borrowings	**634,203**	377,833
Fixed rate borrowings	**2,129,800**	2,528,308
Discounted bills with recourse (note 20)	**158,218**	15,995
	2,922,221	2,922,136

All bank borrowings were repayable within one year at 31 December 2014 and 31 December 2013.

At 31 December 2014, the fixed rate bank borrowings carried interest ranging 5.60% to 6.90% per annum (2013: 5.88% to 7.20% per annum).

At 31 December 2014, the variable rate bank borrowings carried interest ranging from 90% of PBOC rate to 120% of PBOC rate per annum (2013: PBOC rate to 110% 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:

	2014 RMB'000	2013 RMB'000
United States dollars	**44,849**	150,741
Hong Kong dollars	**142,934**	–
Singapore dollars	**–**	15,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. Bank Borrowings *(continued)*

Certain bank borrowings and bills payable of 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:

	2014 RMB'000	2013 RMB'000
For bank borrowings:		
— property, plant and equipment	**220,988**	194,052
— land use rights	**171,454**	175,439
— inventories	**315,000**	398,340
For bank borrowings and bills payable:		
— pledged bank deposits	**1,304,504**	807,642
	2,011,946	1,575,473

25. Obligation under a Finance Lease

The Group has one of its motor vehicles held under a finance lease. Interest rate underlying the obligation under a finance lease is fixed at contract date at 2% per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Amounts payable under a finance lease				
Within one year	**234**	–	**210**	–
In more than one year and not more than five years	**388**	–	**372**	–
	622	–	**582**	–
Less: future finance charges	**(40)**	–	**n/a**	n/a
Present value of lease obligation	**582**	–	**582**	–
Less: amount due for settlement within 12 months (shown under current liabilities)			**(210)**	–
Amount due for settlement after 12 months			**372**	–

The Group's obligation under a finance lease is secured by letter of credit issued by a commercial bank with the pledged deposit placed by the Group.

Financial lease obligation is denominated in Hong Kong dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. Government Grants

	2014 RMB'000	2013 RMB'000
At beginning of the year	**4,447**	4,887
Addition during the year	**8,000**	–
Release during the year	**(2,260)**	(440)
At end of the year	**10,187**	4,447

The government grants represented government subsidies received by the Group in relation to capital expenditure on property, plant and equipment and the Group's technological research and development projects. During the current year, the Group received government subsidies of RMB8,000,000 relating to the Group's technological research and development project. The relevant conditions of these subsidies were fulfilled before recognition and such subsidies were non-recurring in nature. The amounts had been treated as deferred income and will be transferred to income over the useful lives of the relevant assets and the projects lives.

27. 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 2013	(5,208)	27,692	–	22,484
Acquisition of subsidiaries (note 29)	–	–	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
(Credit) charged to profit or loss for the year (note 12)	1,487	13,725	(841)	14,371
Released upon dividend declared	–	(14,392)	–	(14,392)
At 31 December 2014	(5,072)	37,963	24,334	57,225

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**5,072**	6,559
Deferred tax liabilities	**(62,297)**	(63,805)
	(57,225)	(57,246)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

27. Deferred Taxation *(continued)*

Deferred tax liability on the undistributed profits of the PRC subsidiaries earned during the year ended 31 December 2014 have been accrued at the tax rate of 10% (2013: 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 2014, an amount of approximately RMB379,630,000 (2013: RMB273,069,000) 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 RMB1,138,890,000 (2013: RMB1,272,131,000).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB115,831,000 (31 December 2013: RMB94,831,000) in respect of its allowance 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, that allowance for bad and doubtful debts is not highly probable to be utilised as that amount is subject to approval by the relevant tax authority in the PRC and not intended to be claimed by the Group in the foreseeable future.

28. Share Capital

Movements in the authorised and issue share capital of the Company are as follows:

	Number of shares	Amount in HK$	Shown in financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2013, 31 December 2013 and 31 December 2014	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2013 and 31 December 2013	3,077,200,000	30,772,000	24,964
Issue of shares (note a)	317,950,000	3,179,500	2,515
Shares re-purchased and cancelled (note b)	(14,570,000)	(145,700)	(115)
At 31 December 2014	3,380,580,000	33,805,800	27,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

28. Share Capital *(continued)*

Notes:

(a) On 11 September 2014, the Company entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue 317,950,000 shares of HK$0.01 each ("Subscription Shares") to not less than six subscribers. The investors conditionally agreed to subscribe for 317,950,000 Subscription Shares in cash at a subscription price of HK$1.95 per Subscription Share. Completion of the subscription took place on 19 September 2014 and the Company received gross proceeds from issue of such Subscription Shares of RMB490,546,000 (approximately HK$620,003,000). Expenses directly incurred for the issue of shares amounting to RMB10,335,000 (approximately HK$13,062,000) were recognised in equity.

(b) During the year ended 31 December 2014, 14,570,000 shares of HK$0.01 each of the Company were re-purchased by the Company at a total consideration of RMB17,757,000 (approximately HK$22,360,000). The re-purchase price was ranging from HK$1.39 to HK$1.62 for each share.

(c) On 23 April 2014, the Company issued 150,000,000 warrants at HK$0.01 per warrant to six subscribers. The warrants entitle the holders thereof to subscribe in cash up to an aggregate amount of RMB204,000,000 (approximately HK$255,000,000) for shares of the Company, and each warrant will carry the right to subscribe for one share of the Company at an initial subscription price of RMB1.36 (approximately HK$1.70) per share for a period of two years commencing from 23 April 2014.

29. Acquisition of Subsidiaries

On 19 April 2013, 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 Jiangsu Zengyang Investment Company Limited ("江蘇鋥陽投資有限公司") ("Jiangsu Zengyang") and its subsidiaries (collectively the "Zengyang Investment Group") at the consideration ranging from RMB422,075,000 to RMB500,000,000 (the "Acquisition"). Jiangsu Zengyang was an investment holding company and its principal subsidiary, Zhongmei Cable was 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 were set out in a circular issued by the Company dated 24 June 2013 (the "Circular").

Included in the Vendors were (i) Mr. Chu Hui, the son-in-law of Mr. Rui Fubin (the chairman of the Board, the chief executive officer at the date of the Acquisition and an executive director of the Company) and the brother-in-law of Mr. Rui Yiping (an executive director of the Company at the date of the Acquisition); (ii) Mr. Chu Kaiqiang, 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 was a third party independent and not connected with the Company and its connected persons.

The final consideration was calculated based on a specified formula as set out in the Agreement (please refer to the Circular for details) which was 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 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 was RMB500,000,000. The Acquisition had been accounted for using purchase method and a gain on bargain purchase of approximately RMB42,326,000 was recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. Acquisition of Subsidiaries *(continued)*

Consideration transferred

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

Acquisition-related costs amounting to RMB685,000 had been excluded from the consideration transferred and had been recognised as an expense during year ended 31 December 2013, and included in other expenses.

(a) Assets acquired and liabilities recognised at the date of acquisition were 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 the contractual cash flows not expected to be collected amounted to RMB29,963,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. Acquisition of Subsidiaries *(continued)*

(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 had not been considered and estimated during the period of negotiation of the Acquisition.

(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 ended 31 December 2013 was RMB37,751,000 attributable to the additional business generated by Zengyang Investment Group. Revenue for the year ended 31 December 2013 included RMB806,586,000 generated from Zengyang Investment Group.

Had the acquisition been completed on 1 January 2013, total group revenue for the year ended 31 December 2013 would have been RMB7,245 million, and profit for the year would have been RMB532 million. The pro forma information was for illustrative purposes only and was 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 was intended to be a projection of future results.

30. 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:

	2014 **RMB'000**	2013 RMB'000
Within one year	**1,948**	3,222
In the second to fifth year inclusive	**2,270**	5,129
	4,218	8,351

The lease is negotiated for lease term of 1 to 5 years at fixed monthly rental for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

31. Capital Commitment

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**16,053**	13,927

32. 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$1,500 (from January 2013 and up to May 2014: HK$1,250) per month for each employee.

33. Related Parties Transactions

During the year, the Company had the following transactions/balances with related parties:

	2014 RMB'000	2013 RMB'000
Sales of goods to an associate	**34,143**	31,978
Purchase of goods from an associate	**4,978**	2,489
Interest income from an associate	**2,115**	351
Sales of fixed assets to an associate	**–**	9,586
Amount due from an associate included in trade receivables	**23,054**	–
Amount due to an associate included in trade payable	**–**	2,497

Other than the transactions and balances with related parties above and those disclosed in notes 17, 23, 24 and 29 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 2014

34. 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:

	2014 RMB'000	2013 RMB'000
Non-current assets		
Property, plant and equipment	**82**	104
Investment in a subsidiary	**517,162**	517,162
	517,244	517,266
Current assets		
Other receivables	**216**	205
Amounts due from subsidiaries	**616,176**	116,730
Bank balances and cash	**1,413**	1,219
	617,805	118,154
Current liabilities		
Other payables	**3,610**	2,020
Amounts due to directors	**2,089**	2,459
Bank borrowings	**142,934**	106,234
	148,633	110,713
Net current assets	**469,172**	7,441
Net assets	**986,416**	524,707
Capital and reserves		
Share capital	**27,364**	24,964
Reserves (note 35)	**959,052**	499,743
	986,416	524,707

35. Reserves of the Company

	Share premium RMB'000	Special reserve RMB'000	Warrant reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2013	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
Profit for the year	–	–	–	138,969	138,969
Issue of shares (Note 28)	477,696	–	–	–	477,696
Issue of warrants of the Company	–	–	1,200	–	1,200
Share re-purchased and cancelled (Note 28)	(17,642)	–	–	–	(17,642)
Dividends recognised as distribution (Note 13)	–	–	–	(140,914)	(140,914)
At 31 December 2014	805,135	148,696	1,200	4,021	959,052

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. 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		Principal country/place of operation	Principal activities
			2014 **%**	2013 %		
Extra Fame Group Limited*	BVI/ Limited liability	USD10,438,413	**100**	100	Hong Kong	Investment holding
Jiangnan Cable	PRC WFOE[(1)]	USD100,000,000	**100**	100	PRC	Manufacture of and trading in wires and cables
Jiangnan Cable (HK) Limited	Hong Kong/ Limited liability	HKD156,000,000	**100**	100	Hong Kong	Investment holding
JNHB Trading Co., Ltd.	Hong Kong/ Limited liability	HKD100	**100**	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	RAND75,001,000	**100**	100	South Africa	Trading in wires and cables
Jiangsu Zengyang	PRC/ Limited liability[(1)]	RMB50,000,000	**100**	100	PRC	Investment holding
Jiangsu Zenghui Investment Co., Ltd.	PRC/ Limited liability[(1)]	RMB50,000,000	**100**	100	PRC	Investment holding
Zhongmei Cable	PRC/ Limited liability[(1)]	RMB250,000,000	**100**	100	PRC	Manufacture of and trading in wires and cables

* Extra Fame Group Limited 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:

	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Results					
Turnover	3,686,366	4,929,876	5,356,363	6,477,302	**8,154,555**
Cost of goods sold	(3,155,232)	(4,194,986)	(4,513,978)	(5,476,949)	**(6,883,326)**
Gross profit	531,134	734,890	842,385	1,000,353	**1,271,229**
Other income	8,414	14,434	31,785	27,039	**58,442**
Selling and distribution costs	(92,936)	(103,421)	(94,126)	(109,967)	**(134,999)**
Administrative expenses	(70,125)	(95,958)	(85,965)	(132,553)	**(147,993)**
Other expenses	(7,427)	(23,495)	(32,160)	(17,507)	**(23,491)**
Other gains and losses	(17,042)	(11,499)	(23,939)	(5,613)	**(21,450)**
Gain on bargain purchase	–	–	–	42,326	**–**
Share of loss of associates	–	–	–	(3,492)	**(1,544)**
Finance costs	(68,869)	(126,352)	(182,188)	(195,279)	**(242,055)**
Profit before taxation	283,149	388,599	455,792	605,307	**758,139**
Taxation	(51,330)	(71,154)	(79,672)	(101,784)	**(132,123)**
Profit for the year	231,819	317,445	376,120	503,523	**626,016**
Assets and liabilities					
Non-current assets	408,397	411,993	559,597	896,492	**869,518**
Current assets	2,661,182	3,773,360	4,727,050	6,660,794	**7,847,989**
Total assets	3,069,579	4,185,353	5,286,647	7,557,286	**8,717,507**
Current liabilities	2,102,216	2,977,837	3,373,271	5,203,378	**5,414,785**
Non-current liabilities	91,630	25,505	32,579	68,252	**72,856**
Total liabilities	2,193,846	3,003,342	3,405,850	5,271,630	**5,487,641**
Net assets	875,733	1,182,011	1,880,797	2,285,656	**3,229,866**