Annual Report 2014

TRIGIANT GROUP LIMITED
俊知集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1300

* For identification purposes only

Contents

Corporate Information

EXECUTIVE DIRECTORS
Qian Lirong *(Chairman)*
Jiang Wei *(Group chief executive officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Professor Jin Xiaofeng
Jia Lina
Ng Wai Hung
Poon Yick Pang Philip

AUDIT COMMITTEE
Poon Yick Pang Philip *(Chairman)*
Professor Jin Xiaofeng
Jia Lina
Ng Wai Hung

REMUNERATION COMMITTEE
Ng Wai Hung *(Chairman)*
Jiang Wei
Poon Yick Pang Philip

NOMINATION COMMITTEE
Professor Jin Xiaofeng *(Chairman)*
Jia Lina
Poon Yick Pang Philip

CORPORATE GOVERNANCE COMMITTEE
Jiang Wei *(Chairman)*
Ng Wai Hung
Poon Yick Pang Philip

COMPANY SECRETARY
Lau Chi Hung, *ACIS, ACS*

AUTHORISED REPRESENTATIVES
Qian Lirong
Lau Chi Hung
Poon Yick Pang Philip *(alternate to Qian Lirong)*

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Cayman Islands

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No. 1 Junzhi Road
Industrial Park for Environmental Protection
Science & Technology
Yixing City
Jiangsu Province
PRC

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HKEX STOCK CODE
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Email: ir@trigiant.com.cn

DLK Advisory Limited
(as the Company's investor relations consultant)
Email: ir@dlkadvisory.com

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER
Leung & Lau *(as to Hong Kong laws)*

PRINCIPAL BANKERS
Agricultural Bank of China
Bank of China
Bank of Communication
Bank of Jiangsu
Industrial and Commercial Bank of China
China Citic Bank
China Construction Bank
Huaxia Bank
HSBC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
Codan Trust Company (Cayman) Limited
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Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Corporate Profile

Trigiant Group Limited ("Company") and its subsidiaries (collectively the "Group") is one of the leading manufacturers in the People's Republic of China ("PRC") engaged in research, development and sales of radio frequency ("RF") coaxial cable series, flame-retardant flexible cable series, new-type electronic components, other accessories, optical fibre cable series and related products for mobile communications and telecommunications transmission.

The Group is established based on the solid foundation of its expertise in manufacturing and sales of RF coaxial cable series. Since inception, the Group has dedicated its effort to broaden its market segments and customer base within the telecommunication industry. In 2010, the Group introduced its new product series — flame-retardant flexible cable series which was well received by its customers. Further in late 2014, through the acquisition of 60% issued share capital of Jiang Mei Limited, the Group acquired additional 52.5% effective interest in a fast growing optical fibre cable manufacturer namely Jiangsu Trigiant Optic-Electric Telecommunication Co., Ltd ("Trigiant Optic-Electric") such that it became a non-wholly owned subsidiary of the Company, so as to further broaden its product portfolio within the telecommunication industry.

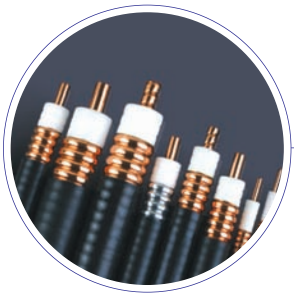
The Group's trademark "俊知技術 TRIGIANT TRIGIANT 俊知技术" is well established in the industry and has been named "China Famous Trademark" (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce of the PRC.

Key customers of the Group are leading enterprises in the PRC including the three major telecommunications operators, namely China Mobile Communications Corporation* (中國移動通信集團公司), China United Network Communications Limited* (中國聯合網絡通信有限公司) and China Telecommunications Corporation* (中國電信集團公司), as well as major telecommunications equipment manufacturers, including ZTE Kangxun Telecom Company Limited* (深圳市中興康訊電子有限公司), a subsidiary of ZTE Corporation, and Huawei Technologies Co., Ltd.

* *For identification only*

Corporate Profile

SUMMARY OF MAJOR PRODUCTS



RF coaxial cables series

(a) RF cables for mobile communications
RF cables for mobile communications are mainly used as feeder cables for transmitting and receiving radio signals and are also essential components for telecommunications transmission equipment.

(b) Leaky coaxial cables
Leaky coaxial cables are mainly used for wireless mobile communications, wireless remote control and wireless alarm systems. They can transmit RF signals as well as send and receive antenna data for areas of weak signal coverage such as subways, tunnels, underground passage and interior of buildings.

Flame-retardant flexible cable series

Flame-retardant flexible cables of the Group are widely used as internal connection cables for power systems or mobile cable transmission and distribution systems and are especially suitable for communications switch centres where systems requiring uninterrupted power.

New-type electronic components

New-type electronic components includes jumper for connection of wireless antennas with feeder cables and various communications equipment, connectors for connection of RF circuits to radio equipment and electronic devices and antenna lightning arresters installed between a high-frequency device and a coaxial feeder cable.

Other accessories

Other accessories includes splitters, couplers, combiners, feeder wall plates, adjustable stands, waterproof clay, insulating tape, cable ties and feeder hoisting grips.

Optical fibre cable series — NEW PRODUCT

Optical fibre cables are mainly used for long haul telecommunication transmission in fixed and wireless telecommunications networks.

Chairman's Statement

MR. QIAN LIRONG
Executive Director and Chairman

Dear valued shareholders,

On behalf of the board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") and its subsidiaries (collectively the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2014.

In 2014, mobile internet became increasingly popular with more updated smartphone applications, which further drove the growth of number of mobile users. The rapid development of mobile communication network led to demand for mobile network construction. As the largest radio frequency ("RF") coaxial cable manufacturer in the People's Republic of China ("PRC"), the Group maintained long-term and stable cooperation with the three major telecommunications operators in the PRC. Therefore, sales volume of RF coaxial cables of the Group ranked first in the PRC market for five consecutive years from 2010 to 2014. The Group gained recognition from the industry and its partners for its quality products and comprehensive after-sales services, which encouraged the Group to further develop and consolidate its position in the telecommunication industry.

With the swift development of the 4G network in 2014, and as the core products of the Group were key components for base stations and indoor coverage systems of mobile communication networks, sales volume of RF coaxial cables increased by 15.8% to approximately 147,700 km. In addition, with stable gross profit margin and cost savings control implemented, profit attributable to owners of the Company increased by approximately 17.7% from approximately RMB313.6 million in 2013 to approximately RMB369.1 million in 2014, while net profit margin increased by approximately 1.1 percentage point from 12.8% in 2013 to approximately 13.8% in 2014. The Board has recommended a final dividend of HK7 cents per share as an expression of thanks to our shareholders for their continued trust and support.

Chairman's Statement

Looking into the mobile communications industry in 2015, the PRC will become the largest 4G market and innovative core in the world. After the issuance of TD-LTE operation permit for 4G network to the three major telecommunications operators in the PRC in late 2013, the Ministry of Industry and Information Technology of the PRC also issued LTE FDD operation permit to China United Network Communications Limited* (中國聯合網絡通信有限公司) and China Telecommunications Corporation* (中國電信集團公司) on 27 February 2015. On the other hand, the three major telecommunications operators in the PRC established China Communications Facilities Services Corporation Limited ("Tower Company") in 2014 to standardise the coordination of the construction of base station and the Group has already supplied products to certain provincial subsidiaries of the Tower Company. The Group believes that all major telecommunications operators will continue their 4G network construction and improve existing networks so as to compete in the PRC mobile communication industry.

While consolidating our existing business, we are committed to exploring new investment opportunities in the telecommunication equipment market for the Group. The construction of broadband city continued to promote the popularity of optical fibre access. In late 2014, the Group expanded its business to the optical fibre cable industry through acquisition, which diversified its products and extended its product application scope from mobile communication network to long hual telecommunications. The Group believes the acquisition will create additional growth for the Group and result in product synergy, which assists the Group in developing into a one-stop telecommunication equipment manufacturer and consolidating its leading position in the communication industry.

Favourable policies of the PRC government have also supported the growth of the communication market, which facilitates the Group to consolidate its position in the domestic market and broaden its vision internationally. Leveraging on such favorable macro-environment, the Group will closely coordinate with the development of the three major telecommunications operators in the PRC and progressively improve its future planning. As the communication industry is developing and changing rapidly, the Group will also encourage and attract more talents, constantly enhance the ability to develop new products and improve our existing technology, in order to provide our business partners with better products so as to increase our market share. Meanwhile, we will boost our sales by participating in local and overseas telecommunication exhibitions to gradually expand to overseas markets with an aim to become a leading cable manufacturer in the global communication market and 4G network market.

On behalf of the Board, I would like to extend my heartfelt thanks to the management and staff for their endeavours and contributions as well as to our shareholders and business partners for their full support over time, which resulted in brilliant achievements last year. In the following year, I look forward to working together with all my colleagues for better results!

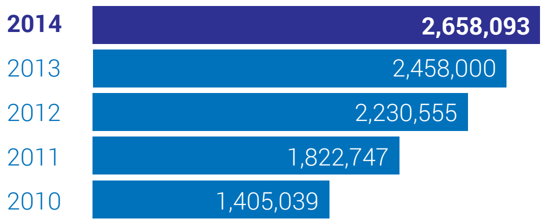
Qian Lirong
Chairman

Hong Kong, 25 March 2015

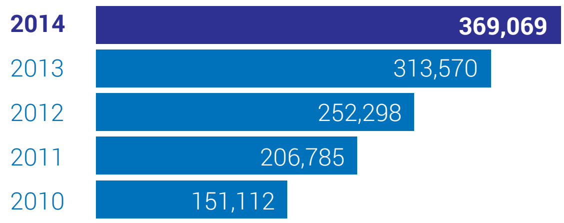
* *For identification only*

Financial Highlights

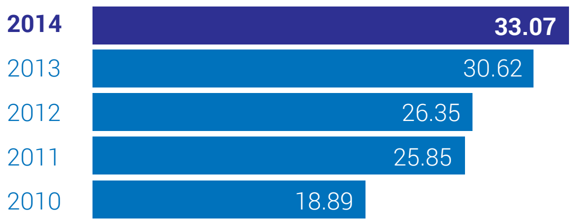
TURNOVER
(RMB'000)



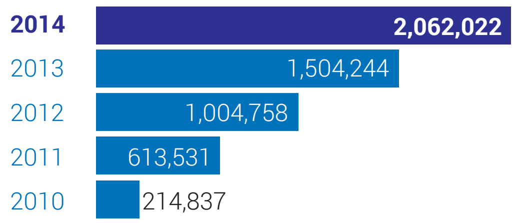
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



EARNINGS PER SHARE
(RMB cents)



TOTAL EQUITY
(RMB'000)



Note: The weighted average number of ordinary shares for the purpose of earnings per share for the year ended 31 December 2010, 2011 and 2012 have been retrospectively adjusted to reflect the capitalisation issue completed on 19 March 2012.

Financial Highlights

Results performance for the year ended 31 December	2014	2013
Total turnover *(RMB'000)*	**2,658,093**	2,458,000
Turnover of RF coaxial cables series *(RMB'000)*	**1,827,426**	1,805,847
Turnover of flame-retardant flexible cable series *(RMB'000)*	**559,941**	500,956
Gross profit *(RMB'000)*	**592,867**	564,967
Gross profit margin	**22.3%**	23.0%
Profit for the year attributable to owners of the Company *(RMB'000) (Note 1)*	**369,069**	313,570
Net profit margin	**13.9%**	12.8%
Basic earnings per share	**RMB33.07 cents**	RMB 30.62 cents
Diluted earnings per share	**RMB33.07 cents**	N/A

Liquidity and gearing ratios	2014	2013
Inventories turnover days *(Note 2 and 3)*	**21 days**	26 days
Trade and bills receivables turnover days *(Note 2 and 4)*	**265 days**	214 days
Trade and bills payables turnover days *(Note 2 and 5)*	**43 days**	48 days
Current ratio	**1.9**	2.3
Gearing ratio *(Note 6)*	**25.7%**	16.3%

Operating cash flow and capital expenditure for the year ended 31 December 2014	2014	2013
Net cash (used in) from operating activities *(RMB'000)*	**(93,269)**	10,349
Capital expenditure *(RMB'000)*	**43,799**	31,199

Notes:

1. During the year ended 31 December 2014, profit for the year attributable to owners of the Company included two non-cash items which were in fair value change of warrants amounting to approximately RMB18.3 million and gain recognised on deemed disposal of available-for-sale investment amounting to approximately RMB23.8 million. The net effect of the above two non-cash items of approximately RMB5.5 million does not have significant impact to the overall 2014 result.

2. The acquisition of Trigiant Optic-Electric was completed on 30 December 2014 and there was no contribution from it to the Group's operation for the year ended 31 December 2014. Therefore, the calculation of the respective turnover days excluded this subsidiary's related assets and liabilities.

3. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of goods sold for the year and then multiplied by 365 days. The calculation excluded inventory of Trigiant Optic-Electric amounting to approximately RMB41.0 million (see note 32 to the consolidated financial statements) as at 31 December 2014.

4. Calculation was based on the average of the trade and bills receivables balance at the beginning and the end of the relevant year divided by total turnover for the year and then multiplied by 365 days. The calculation excluded trade and bills receivables of Trigiant Optic-Electric amounting to approximately RMB178.4 million (see note 32 to the consolidated financial statements) as at 31 December 2014.

5. Calculation was based on the average of the trade and bills payables balance at the beginning and the end of the relevant year divided by costs of goods sold for the year and then multiplied by 365 days. The calculation excluded trade and bills payables of Trigiant Optic-Electric amounting to approximately RMB50.9 million (see note 32 to the consolidated financial statements) as at 31 December 2014.

6. Calculation was based on total bank borrowings net of pledged bank deposits and bank balances and cash at the end of the relevant year over total equity at the end of the relevant year.

Management Discussion and Analysis

MARKET REVIEW

Following the granting of TD-LTE operation permit for 4G network to the three major telecommunications operators in the People's Republic of China ("PRC"), namely China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications Corporation Limited* (中國聯合網絡通信有限公司) ("China Unicom") and China Telecommunications Corporation* (中國電信集團公司) ("China Telecom") by the Ministry of Industry and Information Technology ("MIIT") of the PRC in December 2013, the PRC has ushered in the commercial application of 4G network. The high transmission speed of 4G network has swiftly altered people's consumption habits and revolutionised the traditional industry. Driven by 4G network, O2O electronic business, net TV and big data application proliferated in 2014, which had boosted the rapid development of mobile internet. The increase of mobile internet traffic further fuelled the demand for the establishment and upgrade of mobile communication infrastructure. The Group's core products, RF coaxial cable series and flame-retardant flexible cable series, are indispensable components for base stations and indoor signal coverage system of mobile communications network. As such, the turnover of RF coaxial cable series and flame-retardant flexible cable series of the Group in 2014 maintained a stable growth attributable to higher demands brought by the continuous development of mobile communication network.

NEW BUSINESS DEVELOPMENT

In order to diversify its product base, the Group completed the acquisition of 60.0% of the issued share capital of Jiang Mei Limited on 30 December 2014. Jiang Mei Limited held 87.5% equity interest in Jiangsu Trigiant Optic-Electric Telecommunication Co., Ltd. (江蘇俊知光電通信有限公司) ("Trigiant Optic-Electric"). After the acquisition, the Group's effective interest in Trigiant Optic-Electric increased by 52.5% from 12.5% to 65.0%. Thereafter, Trigiant Optic-Electric became a non-wholly owned subsidiary of the Company. Trigiant Optic-Electric is mainly engaged in manufacturing and sale of optical fibre cable series and related products. Its major customers are the three major telecommunications operators in the PRC. Since the completion of such acquisition only took place on 30 December 2014, the results of Trigiant Optic-Electric was not reflected on the results of the Group for 2014. However, it is expected that enormous business opportunities will be opened up for the Group. The business of the Group has also expanded from mobile communications to long-distance communications.

Management Discussion and Analysis

RESULTS ANALYSIS

During the year under review, the Group continued its growing trend. Turnover increased by approximately 8.1% from approximately RMB2,458.0 million in 2013 to approximately RMB2,658.1 million in 2014. Gross profit increased by approximately 4.9% from approximately RMB565.0 million in 2013 to approximately RMB592.9 million in 2014. The Group adopts the cost plus pricing model where selling price of its main products, RF coaxial cable series and flame-retardant flexible cable series, will be adjusted accordingly when copper price fluctuates. As such, the stability of gross profit margin can be ensured. Due to change in sale mix, gross profit margin decreased by approximately 0.7 percentage point from approximately 23.0% in 2013 to approximately 22.3% in 2014.

The results of the Company in 2014 included two non-cash flow items. First of all, the Company issued Warrants measured at fair value in April 2014 resulting in a change in fair value of approximately RMB18.3 million. Secondly, the available-for-sale investment, namely 12.5% equity interest in Trigiant Optic-Electric, was deemed to be disposed of upon the acquisition of Trigiant Optic-Electric, which resulted in a gain of approximately RMB23.8 million. In addition, the Group implemented measures in 2014 to curb costs and expenses, which successfully reduced selling and distribution costs, administrative expenses and finance costs in 2014 by approximately 18.0%, 10.4% and 15.4%, respectively. As a result, profit attributable to owners of the Company increased by approximately 17.7% from approximately RMB313.6 million in 2013 to approximately RMB369.1 million in 2014. Net profit margin increased by approximately 1.1 percentage point from approximately 12.8% in 2013 to approximately 13.9% in 2014.

According to the statistics from the Optical Fiber and Electric Cable Sub-association of the China Electronics Components Association (中國電子元件行業協會光電線纜分會), the Group ranked first in term of sales volume of RF coaxial cable series in the PRC for the fifth consecutive year by virtue of high-quality products, excellent after-sales services and sound cooperation with the three major telecommunications operators in the PRC. Sales volume of RF coaxial cable series increased by approximately 15.8% to approximately 147,700 kilometres as compared with the corresponding period last year. Despite the year-on-year decrease in average products selling price due to the year-on-year decrease of approximately 7.9% in average copper price, turnover of this product increased by approximately 1.2% to approximately RMB1,827.4 million, accounting for approximately 68.7% of total turnover of the Group while gross profit margin remained stable at approximately 23.7%. Turnover of flame-retardant flexible cable series, another core product of the Group, increased by approximately 11.8% to approximately RMB559.9 million as compared with the corresponding period last year, accounting for approximately 21.1% of total turnover of the Group. Gross profit margin of flame-retardant flexible cable series decreased slightly by approximately 0.6 percentage point to approximately 20.6% in 2014.

Management Discussion and Analysis

BREAKDOWN OF TURNOVER BY PRODUCTS

Year ended 31 December	2014 RMB'000	2013 RMB'000	Change RMB'000	Change Percentage
RF coaxial cable series	**1,827,426**	1,805,847	+21,579	+1.2%
Flame-retardant flexible cable series	**559,941**	500,956	+58,985	+11.8%
New-type electronic components	**108,398**	73,112	+35,286	+48.3%
Other accessories	**162,328**	78,085	+84,243	+107.9%
Total	**2,658,093**	2,458,000	+200,093	+8.1%

MAJOR CUSTOMERS AND SALES NETWORK

The Group maintained satisfactory cooperation with the three major telecommunications operators in the PRC by providing excellent products as well as comprehensive and efficient after-sales services. During the year under review, sales to China Mobile, China Unicom and China Telecom accounted for approximately 42.4%, 38.3% and 12.8% of the Group's overall turnover, respectively. Among those major customers, the sales proportion of China Unicom and China Telecom increased substantially as a result of their respective construction for the TD-LTE/LTE FDD hybrid network trial. The Group continued its business relationships with all 31 provincial subsidiaries of China Unicom, 24 out of the 31 provincial subsidiaries of China Mobile and 25 out of the 31 provincial subsidiaries of China Telecom. In addition, the Group also began to establish business relationships with certain provincial subsidiaries of China Communications Facilities Services Corporation Limited ("Tower Company"), which was jointly established by the above three major telecommunications operators in the PRC.

Apart from strengthening its development in the PRC domestic market, the Group also actively explored overseas markets. The Group has been actively participating in telecommunications exhibitions, technological exchanges and tendering for local telecommunications equipment projects to expand its overseas markets. During the year under review, the Group took part in the telecommunications exhibitions in India, Germany, Singapore, Brazil, Dubai, South Africa and Russia in order to increase the Group's product recognition overseas. Through exchanges with its peers from different countries, the Group laid the foundation for further business development. The Group had expanded its overseas markets in 2014 to include the Middle East such as United Arab of Emirates and Southeast Asia region as well as its existing market coverage in Russia, Brazil and India, and continued to record satisfactory growth in overseas sales.

Management Discussion and Analysis

PRODUCTION BASE AND CAPACITY

The production base of the Group is located in Yixing City, Jiangsu Province, the PRC, occupying an area of approximately 240,000 square metres. As at 31 December 2014, the annual production capacity of the Group's RF coaxial cable series and optical fibre cable series were 200,000 kilometres and 7,000,000 fibre kilometres, respectively. To capture the future opportunities arising from telecommunications network, the Group intends to increase its production capacity of optical fibre cable series by approximately 40% in 2015 to be funded by internal source of funding with a view to making considerable contribution to the Group in 2015. The Group will also closely monitor the demand for its products and expand its RF coaxial cable series production capacity to cope with the needs for 4G network construction.

PATENTS, AWARDS AND RECOGNITION

As at 31 December 2014, the Group had obtained 44 patents and developed 62 new products in the PRC. 32 products of the Group were granted Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province, the PRC. In the meantime, the Group is in the process of applying for patents for a number of technical know-how. During the year, the Group received various awards and honours which included the following:

- according to the statistics from the Optical Fiber and Electric Cable Sub-association of the China Electronics Components Association (中國電子元件行業協會光電線纜分會), Trigiant Technology, the principal subsidiary of the Group, ranked first in terms of sales volume of RF coaxial cable among the RF coaxial cable manufacturers in the PRC for five consecutive years from 2010 to 2014;

- recognised as Outstanding Enterprise of Jiangsu Province by the Government of Jiangsu Province, the PRC; and

- received the "Best Delivery Support Award" (最佳交付支援獎) from ZTE Corporation in December 2014.

Management Discussion and Analysis

PROSPECTS AND FUTURE PLANS

In 2014, the 4G network landscape in the PRC has been dominated by China Mobile with its major focus in TD-LTE network development. Nonetheless, MIIT granted the operation permit for LTE FDD network to China Unicom and China Telecom on 27 February 2015. From this point, China Unicom and China Telecom are expected to be catching up with China Mobile in full swing with the expansion of 4G networking. Together with the announcement of China Mobile for its continuous expansion in 4G network in 2015, the Group expects that the demands for its core products will continue.

The three major telecommunications operators in the PRC established the Tower Company in 2014 to standardise the coordination of the construction of base stations and minimise overlapping infrastructure including communication towers. However, even if the three major telecommunications operators can share communication towers in the future, different RF coaxial cable systems is still needed for the transmission of their respective 2G, 3G and 4G signals since they have different standards and frequencies for 2G, 3G and 4G networks. The application of RF coaxial cable for indoor signal coverage system will also drive the demand for RF coaxial cable series of the Group. During the year under review, the Group became the provider of certain provincial subsidiaries of Tower Company. In the future, while strengthening the business relationships with the three major telecommunications operators in the PRC, the Group will also actively establish business relationships with the provincial subsidiaries of Tower Company. With its leading position in the communications industry, good reputation and quality products, the Group believes that it will further consolidate its leadership position in the industry. As for overseas markets, the Group is in the process of active negotiations with telecommunications equipment distributors in countries in the Middle East and Southeast Asia, aiming to increase its contributions in overseas markets and step onto the global market.

Apart from consolidating its existing business, the Group has also actively identified opportunities in the mobile communications and communications equipment industries for diversifying product portfolio and expanding market share in the communications equipment industrial chain. As such, the Group completed the acquisition of additional 52.5% effective interest in Trigiant Optic-Electric, which has become a subsidiary of the Company since the Group's acquisition, by the end of 2014 to enhance the Group's product portfolio as the principal products of Trigiant Optic-Electric are optical fibre cable series and related products. Optical fibre cables and RF coaxial cables make an integral part for telecommunications networks. RF coaxial cable is the essential component to transmit mobile communications signal in the last mile of a mobile communications network. Optical fibre cable is used for long haul transmission after the conversion of mobile communications signal into optical signals, and also serves as an indispensable component in broadband network and telecommunications transmission. The acquisition of optical fibre cable business is expected to bring in another stream of revenue to the Group and will also allow the Group to become a one-stop telecommunications equipment provider.

According to the "Broadband China 2015 Project" (《寬帶中國2015專項行動》)by the MIIT, optical fibre network will be connected directly to households. Furthermore, more public funds will be allocated to support optical fibre development in the central and western PRC, accelerating the expansion of 4G networking and integrating the three networks. As a result, strong demand for optical fibre cable in communications is expected in the near future.

Management Discussion and Analysis

FINANCIAL PERFORMANCE REVIEW

Turnover

Total turnover of the Group increased by approximately RMB200.1 million, or approximately 8.1%, from approximately RMB2,458.0 million in 2013 to approximately RMB2,658.1 million in 2014. Such increase was attributable to the increase in turnover of RF coaxial cable series and flame-retardant flexible cable series, new-type electronic components and other accessories by approximately RMB21.6 million, RMB59.0 million, RMB35.3 million and RMB84.2 million, respectively. The increase in the total turnover of the Group was primarily due to the increase in overall sales to the three major PRC telecommunications operators for construction of their networks.

The growth in sales of RF coaxial cable series was driven by the continued increase in sales volume. Sales of RF coaxial cable series remains the Group's main business and accounted for approximately 68.7% of the Group's total turnover in 2014. The turnover of flame-retardant flexible cable series continued to record growth and therefore accounted for approximately 21.1% of the Group's total turnover in 2014. The growth in sales of other accessories is attributable to the significant increase in resell of optical fibre cable series purchased from Trigiant Optic-Electric by Trigiant Technology. Overall sales to the three major PRC telecommunications operators increased by approximately RMB174.3 million from approximately RMB2,311.0 million in 2013 to approximately RMB2,485.3 million in 2014.

Cost of goods sold

Cost of goods sold increased by approximately RMB172.2 million, or approximately 9.1%, from approximately RMB1,893.0 million in 2013 to approximately RMB2,065.2 million in 2014. Cost of materials consumed remained the major components of cost of goods sold and accounted for approximately 97.9% and 97.2% of the total cost of goods sold in 2014 and 2013, respectively. The increase in cost of goods sold was in line with the increase in turnover in 2014.

Gross profit and gross profit margin

Gross profit increased by approximately RMB27.9 million, or approximately 4.9%, from approximately RMB565.0 million in 2013 to approximately RMB592.9 million in 2014. Such increase was mainly attributable to the increase in turnover of the RF coaxial cable series and flame-retardant flexible cable series. Overall gross profit margin decreased by approximately 0.7 percentage point from approximately 23.0% in 2013 to approximately 22.3% in 2014 mainly as a result of higher sales proportion of lower gross profit margin products.

Management Discussion and Analysis

Other income

Other income increased by approximately RMB6.6 million, or approximately 79.2%, from approximately RMB8.3 million in 2013 to approximately RMB14.9 million in 2014. Such increase was primarily due to the increase in interest income by approximately RMB5.8 million.

Other gains and losses

Other gains and losses decreased by approximately RMB0.9 million, or approximately 40.8%, from approximately RMB2.1 million in 2013 to approximately RMB1.2 million in 2014. Such decrease was primarily due to decrease in gain on fair value changes on investment properties by approximately RMB0.9 million.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB11.5 million, or approximately 18.0%, from approximately RMB63.8 million in 2013 to approximately RMB52.3 million in 2014. Such decrease was mainly due to decreased marketing and entertainment expense for better cost control by approximately RMB13.3 million, partly set-off by increase in share-based payment of approximately RMB1.8 million for share options granted to the employees of the Group in 2014.

Administrative expenses

Administrative expenses decreased by approximately RMB5.5 million, or approximately 10.4%, from approximately RMB52.7 million in 2013 to approximately RMB47.2 million in 2014. Such decrease was primarily as a result of decrease in entertainment expenses of approximately RMB5.8 million, partly set-off by increase in share-based payment of approximately RMB1.3 million for share options granted to the Directors and employees of the Group in 2014.

Research and development costs

Research and development costs increased by approximately RMB3.0 million, or approximately 12.5%, from approximately RMB23.7 million in 2013 to approximately RMB26.7 million in 2014. Such increase was attributable to additional research and development costs incurred in order to broaden the varieties of the Group's product portfolio and the development and improvement of the products to tailor for the mobile network development.

Management Discussion and Analysis

Fair value change of Warrants

The Company issued the Warrants in April 2014 and re-measures the Warrants at fair value at the end of each reporting period with the change in fair value recorded in the profit or loss. As such, such fair value change was not related to the Group's operating results. These Warrants are recognised in the consolidated statement of financial position at their fair values measured by binomial model. The change in fair value of the Warrants amounted to approximately RMB18.3 million is therefore recognised in the consolidated statement of profit or loss and other comprehensive income.

Gain recognised on deemed disposal of an available-for-sale investment

In December 2014, the Group acquired 60% of the issued share capital of Jiang Mei Limited, which held 87.5% interest in the optical fibre cables manufacturer, Trigiant Optic-Electric. The remaining 12.5% interest of Trigiant Optic-Electric was owned by the Group and was accounted for as available-for-sale investment. After the acquisition, the Group's effective interest in Trigiant Optic-Electric increased from 12.5% to 65.0% such that Trigiant Optic-Electric became a non-wholly owned subsidiary of the Company and the previously held interest, which was classified as available-for-sale investment, was deemed to be disposed of resulting in a gain of approximately RMB23.8 million.

Finance costs

Finance costs decreased by approximately RMB8.5 million, or approximately 15.4%, from approximately RMB55.0 million in 2013 to approximately RMB46.5 million in 2014. Such decrease was mainly attributable to the decrease in the average interest rate as the Group obtained more bank borrowings denominated in United States dollars and Hong Kong dollars which have lower interest rates.

Taxation

Taxation charge increased by approximately RMB6.0 million, or 9.1%, from approximately RMB66.6 million in 2013 to approximately RMB72.6 million in 2014. The Group's PRC Enterprise Income Tax is attributable to Trigiant Technology, which enjoyed a reduced PRC Enterprise Income Tax rate of 15% in 2014 due to its Advanced Technology Enterprise status. The increase in taxation charge in 2014 is primarily attributable to the increase in taxation charge of Trigiant Technology as a result of increased taxable profit.

Management Discussion and Analysis

Profit for the year

Profit for the year for the year ended 31 December 2014 included two non-cash items which were the fair value change of the Warrants amounting to approximately RMB18.3 million and gain recognised on deemed disposal of an available-for-sale investment amounting to approximately RMB23.8 million, the net gain of the above non-cash items of approximately RMB5.5 million does not have significant impact to the overall profit for the year.

As a combined result of the foregoing, the profit for the year increased by approximately RMB55.5 million, or approximately 17.7%, from approximately RMB313.6 million in 2013 to approximately RMB369.1 million in 2014. The net profit margin increased by 1.1 percentage point from approximately 12.8% in 2013 to approximately 13.9% in 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The operation of the Group was generally financed through a combination of internally generated cash flows and bank borrowings. In the long term, the operation of the Group will be funded by internally generated cash flow and, if necessary, additional equity financing and bank borrowings.

The following table summarises the cash flows for the two years ended 31 December 2014 and 2013:

	2014 **RMB'000**	2013 RMB'000
Net cash (used in) from operating activities	**(93,269)**	10,349
Net cash (used in) from investing activities	**(147,401)**	(34,544)
Net cash from (used in) financing activities	**290,137**	(18,263)

As at 31 December 2014, the Group had bank balances and cash and pledged bank deposits of approximately RMB842.1 million and the majority of which were denominated in RMB. As at 31 December 2014, the Group had total bank borrowings of approximately RMB1,372.7 million which were repayable within one year. As at 31 December 2014, approximately RMB458.0 million of the total bank borrowings were fixed rate borrowings and approximately RMB914.7 million were variable rate borrowings. As at 31 December 2014, bank borrowings of approximately RMB843.0 million were denominated in RMB, approximately RMB51.3 million were denominated in Hong Kong dollars and approximately RMB478.4 million were denominated in United States dollars.

In 2014, the majority of the Group's transactions were denominated in RMB except for the bank borrowings denominated in United States dollars and Hong Kong dollars and the Group did not enter into any financial instrument for hedging foreign currency exposure. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

Management Discussion and Analysis

In order to broaden the shareholder base and capital base of the Company, the Company issued the Warrants in April 2014 at an issue price of HK$0.01 per unit of Warrant (equivalent to approximately RMB0.008 each) entitling the holders thereof to subscribe in cash for up to an aggregate amount of HK$630,000,000 for Warrant Shares upon the exercise of the subscription rights attached to the Warrants at a subscription price of HK$3.15 per Warrant Share (subject to adjustments) at any time for the period commencing from the date of issue of the Warrants and ending on the third anniversary thereof. The Company intends to use the proceeds, if any, from the exercise of the subscription rights attached to the Warrant for repayment of debts and general working capital. The net proceeds of approximately HK$1.7 million (equivalent to approximately RMB1.6 million) were utilised as general working capital of the Group. None of the Warrants were exercised as at 31 December 2014.

On 30 December 2014, the Company issued 200,000,000 ordinary shares as consideration for the acquisition of 60% of the issued share capital of Jiang Mei Limited, which held 87.5% interest in Trigiant Optic-Electric. The quoted closing price of the Company's shares on 30 December 2014 was HK$1.27.

GEARING RATIO

Gearing ratio of the Group, calculated as total bank borrowings net of pledged bank deposits and bank balances and cash divided over total equity, increased from approximately 16.3% as at 31 December 2013 to approximately 25.7% as at 31 December 2014. Such increase was primarily due to the increase in total bank borrowings net of pledged bank deposits and bank balances and cash by approximately RMB284.9 million from approximately RMB245.8 million as at 31 December 2013 to approximately RMB530.7 million as at 31 December 2014 while total equity increased by approximately RMB557.8 million from approximately RMB1,504.2 million as at 31 December 2013 to approximately RMB2,062.0 million as at 31 December 2014. Increase in total equity as at 31 December 2014 was mainly attributable to (i) profit for the year of approximately RMB369.1 million; (ii) issue of shares of the Company for approximately RMB200.4 million relating to the acquisition of Jiang Mei Limited in December 2014; (iii) non-controlling interests arise from acquisition of subsidiaries of approximately RMB105.7 million and (iv) payment of the 2013 final dividend of approximately RMB62.0 million and the 2014 interim dividend of approximately RMB60.9 million.

PLEDGE OF ASSETS

As at 31 December 2014, the following assets were pledged to certain banks to secure certain credit facilities granted to the Group.

	2014 **RMB'000**	2013 RMB'000
Land use rights	**11,854**	12,177
Bank deposits	**354,343**	131,739
Total	**366,197**	143,916

Management Discussion and Analysis

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2014.

EMPLOYEE INFORMATION

As at 31 December 2014, the Group had approximately 900 (2013: 700) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Directors to grant share options to, among other persons, Directors and employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group. For the year ended 31 December 2014, the Group granted an aggregate of 74,400,000 share options to certain Directors and employees of the Group.

The Group also invests in continuing education and training programmes for management staff and other employees with a view to upgrading their skills and knowledge. These training courses comprise internal courses run by the management of the Group and external courses provided by professional trainers and range from technical training for production staff to financial and administrative trainings for management staff.

Directors and Senior Management Profile

MR. QIAN LIRONG

Executive Director and Chairman

Mr. Qian Lirong, aged 50, is an executive director and the chairman of the board. Mr. Qian is principally responsible for the overall strategic development of the Group's operation as well as overall management of the Group. Mr. Qian joined Jiangsu Trigiant Technology Co., Ltd. 江蘇俊知技術有限公司 ("Trigiant Technology") in November 2007. Mr. Qian is also the chairman and general manager of Trigiant Technology and a director of certain subsidiaries of the Company.

Mr. Qian has more than 20 years of experience in the information and telecommunications industry, and has been involved in various divisions in the manufacturing of information and telecommunications products and components including technology development and management. Between November 2004 and January 2007, Mr. Qian was a director and an executive chairman of Hengxin Technology Ltd. (stock code: 1085) ("Hengxin (Singapore)"), a company incorporated in Singapore, whose shares are listed on the Singapore Exchange Securities Trading Limited and the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Between November 2004 and February 2007, he acted as the chief executive officer of Hengxin (Singapore). Between June 2003 and January 2007, Mr. Qian held various positions (including chairman and general manager) in Jiangsu Hengxin Technology Co., Ltd. (江蘇亨鑫科技有限公司) ("Hengxin (Jiangsu)"), a wholly-owned subsidiary of Hengxin (Singapore). Between December 1996 and June 2003, Mr. Qian was general manager of Jiangsu Hengtong Cable Co., Ltd. (江蘇亨通線纜有限公司) ("Jiangsu Hengtong"). Prior to that, Mr. Qian was an assistant to the manager in Wujiang Qidu Town Industrial Co., Ltd. (吳江市七都鎮工業公司) from September to November 1996. Between December 1988 and September 1996, Mr. Qian worked in Suzhou Wujiang Special Cable Factory (蘇州市吳江特種電纜廠), which was mainly engaged in the manufacture and sale of indoor communications and data cables. During that period, he held various positions including deputy director of the factory.

Mr. Qian has been awarded numerous awards in the past, including but not limited to, Outstanding Leader of PRC Information Industry of the Year (中國信息產業年度領袖人物) in 2012, Chinese Outstanding Entrepreneur (Private Enterprises) (中國優秀民營企業家) in 2010, Economic People of PRC Information Industry of the Year (中國信息產業年度經濟人物) in 2008, Outstanding People of PRC Information Industry of the Year (中國信息產業年度新鋭人物) in 2007, Outstanding Technological Entrepreneur (Private Enterprise) (中國優秀民營科技企業家) by the China Private Enterprise Technology Association (中國民營科技實業家協會) in 2004, and Outstanding Worker in High and New Technology Industrialisation (高新技術產業化"先進工作者") by the Ministry of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in 2003. Mr. Qian is a senior member of China Institute of Communications, an executive member of the Seventh Council of the Jiangsu Foreign Investment Enterprise Association (江蘇省外商投資企業協會), as well as a member of the fifth, seventh and eighth Communications Cable Committee (通信線路委員會) of China Institute of Communications, Vice President of Jiangsu Provincial Informationalization Association (江蘇省信息化協會), Vice President of Jiangsu Association of Industrial Economic (江蘇省工業經濟聯合會), Vice President of Jiangsu Enterprises Confederation (江蘇省企業聯合會), Vice President of Jiangsu Province Enterprises Directors Association (江蘇省企業家協會), Vice President of The China Chamber of International Commerce – Wuxi (無錫國際商會), Vice President of Yixing Federation of Industry and Commerce (宜興市工商聯), the representative National Congress of the Communist Party of China of Wuxi for several terms, Member of The Chinese People's Political Consultative Conference of Yixing City for several terms and the representative of National People's Congress.

Mr. Qian graduated from Changshu Machinery and Industrial Employees' University (常熟市機械工業職工大學) in 1987 and completed the No. 3 Industrial and Regional Culture and Economic Management Postgraduate Course offered by Shanghai Social Science Institute (Arts Research Centre) (上海社會科學院文學研究所，第三產業暨區域文化經濟管理碩士研究生班) in 2004. Mr. Qian is a senior engineer, senior economist and an exemplary worker of Jiangsu Province.

Directors and Senior Management Profile

MR. JIANG WEI

Executive Director and Group Chief Executive Office

Mr. Jiang Wei, aged 56, is an executive director and the group chief executive officer. Mr. Jiang has substantial experience in the communications cable industry and is principally responsible for managing the sales management team and marketing activities of the Group. Mr. Jiang joined Trigiant Technology in November 2007. Mr. Jiang is also an executive deputy general manager of Trigiant Technology and a director of certain subsidiaries of the Company.

Between June 2005 and January 2007, he was the executive director and marketing director of Hengxin (Singapore). During the time while Mr. Jiang was serving as an executive director of Hengxin (Singapore), he was also the deputy general manager (sales) of Hengxin (Jiangsu) between July 2003 and March 2007. From July 1999 to June 2003, he was the deputy general manager of Jiangsu Hengtong in charge of sales and marketing matters. From December 1993 to June 1997, he worked in US Global Pacific Co., Ltd. and served as a technician until May 1994 and was seconded to Anhui Lida Communications Cable Co., Ltd. (安徽立達通信電纜有限公司), a company principally engaged in, amongst others, the manufacture and sale of indoor communications and data cables and telephones and held positions of assistant chief engineer and deputy general manager until June 1997. From 1984 to 1993, Mr. Jiang worked in Xi'an Cable Factory (Plastic Branch) (西安電纜廠全塑分廠) and held various positions from technician to vice factory director.

Mr. Jiang has been awarded the Economic People of PRC Information Industry of the Year (中國信息產業年度經濟人物) in 2010.

Mr. Jiang completed his studies in mechanics manufacturing in Xi'an Electric Power Machinery Manufacturing Co. Ltd., Electromechanical Institute (西安電力機械製造公司機電學院) in 1984 and completed the No. 3 Industrial and Regional Culture and Economic Management Postgraduate Course offered by Shanghai Social Science Institute (Arts Research Centre) (上海社會科學院文學研究所，第三產業暨區域文化經濟管理碩士研究生班) in 2004.

PROFESSOR JIN XIAOFENG

Independent Non-Executive Director

Professor Jin Xiaofeng, aged 46, is an independent non-executive director. Prof. Jin is currently the deputy head of general affairs of the Institute of Electronic Information Technologies and Systems, Zhejiang University (浙江大學). Prof. Jin is also an independent director of Zhongli Sci-Tech Group Co., Ltd (中利科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange. In February 2007, he was appointed as a Doctor of Philosophy supervisor in the Institute of Electronic Information Technologies and Systems, Zhejiang University. Between January 2004 and February 2006, Prof. Jin worked in Hengtong Group Technology Center (亨通集團技術中心). In July 2005, Prof. Jin was appointed as a member of the first Technical Committee of the Optical Transmission Engineering and Technology Center of Jiangsu Province (江蘇省光電傳輸工程技術研究中心第一屆技術委員會). During the period from October 2000 to 2003, Prof. Jin worked in Oplink Communications Inc., LightMatix Inc. and Agiltron Inc in the United Stated of America.

Prof. Jin obtained a bachelor's degree from the Department of Photoelectronics of Huazhong University of Science and Technology (華中科技大學) in July 1990. Prof. Jin obtained a master's degree from China Ship Research & Development Academy (中國艦船研究院) in May 1993 and his Doctor of Philosophy degree in engineering from Zhejiang University in September 1996. From December 1996 to April 2000, Prof. Jin was engaged in teaching and research work in the Department of Electronic and Information Engineering at Zhejiang University. He was appointed as an Associate Professor of Zhejiang University in December 1999 and was appointed as a professor in December 2006.

Directors and Senior Management Profile

MISS JIA LINA

Independent Non-Executive Director

Ms. Jia Lina, aged 47, is an independent non-executive director. She has over 19 years of experience in accounting. Ms. Jia is also an independent director of Suzhou Tianma Fine Chemicals Co., Ltd (蘇州天馬精細化學品股份有限公司). Ms. Jia is a certified public accountant in Jiangsu Talent CPA (天衡會計師事務所有限公司) since September 1994.

Ms. Jia graduated with a bachelor's degree in economic trade in July 1989 and a master's in economics from Dongbei University of Finance and Economics (東北財經大學) in October 1992. Ms. Jia was qualified as an accountant in December 1996 by the Ministry of Finance of the People's Republic of China (中華人民共和國財政部).

MR. POON YICK PANG PHILIP

Independent Non-Executive Director

Mr. Poon Yick Pang Philip, aged 45, is an independent non-executive director. Mr. Poon has over 20 years of experience in corporate finance and accounting. Mr. Poon is also an independent non-executive director of another company listed on the Stock Exchange, namely Jiangnan Group Limited (stock code: 1366). Between March 2010 and November 2013, Mr. Poon served as an independent non-executive director of Infinity Chemical Holdings Company Limited (stock code: 640). Mr. Poon joined Real Nutriceutical Group Limited (stock code: 2010), a company listed on the Stock Exchange, in June 2008 as chief financial officer and company secretary. Prior to that, he served senior financial positions in a number of companies listed in Hong Kong and the U.S. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, Lenovo Group Limited (stock code: 992) and Sun Hung Kai Properties Limited (stock code: 16), both companies are listed on the Stock Exchange. Mr. Poon obtained a bachelor's degree in commerce from the University of New South Wales in 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.

MR. NG WAI HUNG

Independent non-executive director

Mr. Ng Wai Hung, aged 51, is an independent non-executive director. Mr. Ng is a practising solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. He has extensive experience in the areas of securities law, corporate law and commercial law in Hong Kong and China trades and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies in Hong Kong. Mr. Ng is also an independent non-executive director of six companies listed on the Stock Exchange, namely Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), Sustainable Forest Holdings Limited (stock code: 723), Tech Pro Technology Development Limited (stock code: 3823), On Time Logistics Holdings Limited (stock code: 6123) and China Star Cultural Media Group Limited (stock code: 8172). Between January 2008 and September 2014, Mr. Ng served as independent non-executive director of Qingdao Holdings International Limited (stock code: 499). Between March 2000 and January 2012, he also served as independent non-executive director of Talent Property Group Limited (stock code: 760). Between January 2013 and August 2014, Mr. Ng served as an independent non-executive director of another listed companies in Hong Kong namely Perception Digital Holdings Limited (Stock Code: 1822).

Directors and Senior Management Profile

MR. LIU XIANGRONG

Chief Technology Officer

Mr. Liu Xiangrong, aged 64, chief technology officer of the Group. Mr. Liu has extensive experience in the research and development of optical fibre and electric cables, and led or participated in the compilation of a number of industry standards for electric cables products. In particular, he was granted the Science and Technology Award by China Communications Standards Association in 2012 for his coordination of or participation in the compilation of the Industry Standards of Coaxial Cables Series (《同軸電纜系列行業標準》). Mr. Liu is mainly responsible for leading the research and development of the Group's technology projects.

Mr. Liu is currently the chairman of the eighth Communications Cable Committee (通信線路委員會) of China Institute of Communications, member of the seventh China Institute of Communications Council (中國通信學會第七屆理事會) and deputy editor in chief of Network Telecommunications (《網絡電信》) magazine.

Mr. Liu joined Trigiant Technology as the chief engineer in April 2011. Prior to joining the Group, Mr. Liu held different positions in a number of companies. Between 2006 to 2010, Mr. Liu worked for Chengdu Datang Communication Cable Co., Ltd. as deputy general manager and chief engineer. Between 2002 to 2006, Mr. Liu worked for Datang Telecom Optical Communication's branch company as deputy chief engineer and Datang Telecom Optical Cable Factory as chief engineer. Mr. Liu was also an expert from the expert team of Optical Fiber and Electric Cable Sub-association of China Electronics Components Association (中國電子元件行業協會光電線纜分會), columnist of "Expert Forum" (專家論壇) of Optical Fibre and Electric Cables (《光電線纜》) magazine issued by Optical Fiber and Electric Cable Sub-association of China Electronics Components Association (中國電子元件行業協會光電線纜分會), and expert from the expert team of Electric Wires and Electric Cables Sub-association of China Electrical Equipment Industry Association (中國電器工業協會電線電纜分會).

Mr. Liu was granted the Science and Technology Award by China Communications Standards Association in 2012 and has been awarded the Innovative People of PRC Information Industry of the Year (中國信息產業年度創新人物) in 2011.

Mr. Liu graduated from Nanjing University of Posts and Telecommunications in 1978. He is currently a senior engineer and a postgraduate tutor.

MR. LAU CHI HUNG

Company Secretary

Mr. Lau Chi Hung, aged 44, is the company secretary of the Company. Mr. Lau is primarily responsible for overseeing the company secretarial affairs of the Group. Mr. Lau has over 20 years of experience in corporate finance, accounting and auditing. Prior to joining the Group in January 2011, Mr. Lau mainly held senior finance positions in several companies listed on the Stock Exchange and also worked in Deloitte Touche Tohmatsu where the last position he served was manager.

Mr. Lau graduated with a bachelor's degree in accountancy and a master's degree in business administration from The Hong Kong Polytechnic University. Mr. Lau is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered Certified Accountants, an associate of The Institute of Chartered Accountants in England and Wales, an associate and a certified tax adviser of The Taxation Institute of Hong Kong. Mr. Lau is also an associate of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Directors and Senior Management Profile

MR. LEUNG SIU KEI
Chief Financial Officer

Mr. Leung Siu Kei, aged 39 is the chief financial officer of the Company. Mr. Leung is primarily responsible for corporate finance, financial reporting and investor relations management affairs of the Group. Mr. Leung has over 16 years of experience in corporate finance, accounting and auditing. He was a senior manager of Deloitte Touche Tohmatsu before joining the Group in 2013.

Mr. Leung obtained a bachelor's degree in accountancy from The Hong Kong Polytechnics University. He is a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.

Corporate Governance Report

The board ("Board") of directors ("Directors") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Directors are committed to upholding the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect and maximise the interests of the shareholders of the Company ("Shareholders"). In this regard, a corporate governance committee of the Board has been established with primary responsibility for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of the Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") as its code of corporate governance.

Save for the deviation stated in relation to the meeting between the chairman of the Board and the independent non-executive Directors as described in this report below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the year ended 31 December 2014 and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

(i) Board composition

The Board currently comprises a combination of two executive Directors and four independent non-executive Directors. There are no relationship (including financial, business, family or other material or relevant relationships) among members of the Board.

Throughout the year ended 31 December 2014, the Board consisted of the following Directors:

Executive Directors
Mr. Qian Lirong *(Chairman)*
Mr. Jiang Wei *(Group chief executive officer)*

Independent Non-executive Directors
Professor Jin Xiaofeng
Ms. Jia Lina
Mr. Ng Wai Hung
Mr. Poon Yick Pang Philip

Corporate Governance Report

(ii) Board meetings

During the year ended 31 December 2014, nine board meetings were held. Prior notices convening the board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the board meetings.

(iii) Responsibilities of the Board and management

The executive Directors, with the assistance from the senior management, form the core management team of the Company. The executive Directors have the overall responsibility for formulating the business strategies and development plan of the Company and its subsidiaries (collectively the "Group") and the senior management personnel are responsible for supervising and executing the plans of the Group.

(iv) Independence of independent non-executive Directors

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Poon Yick Pang Philip has over 20 years of experience in corporate finance and accounting. Mr. Poon 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.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. In addition, the Company has also received a written confirmation from each of the independent non-executive Directors in respect of their independence. Based on such confirmations, the Board considers that all independent non-executive Directors are independent.

(v) Continuous professional development

During the year ended 31 December 2014, the Company has arranged the following Directors to develop and refresh their knowledge and skills:

Name of Directors	Mode of continuous professional development
Mr. Qian Lirong *(Chairman)*	Attending professional training
Mr. Jiang Wei *(Group chief executive officer)*	Attending professional training
Professor Jin Xiaofeng	Attending professional training
Ms. Jia Lina	Attending professional training
Mr. Poon Yick Pang Philip	Attending professional training
Mr. Ng Wai Hung	Attending professional training

In addition, all Directors have been given guideline materials regarding duties and responsibility of being a director, relevant laws, regulations and rules applicable to directors of listed companies.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and chief executive officer are segregated and are not exercised by the same individual.

Mr. Qian Lirong is the chairman of the Board who is primarily responsible for managing the Board. Mr. Qian also chairs the Board meetings and briefs the Board members on the issue arising at the Board meetings. Mr. Jiang Wei is the group chief executive officer who is primarily responsible for day-to-day management of the Group's business. Mr. Jiang is also responsible for supervising the execution of decisions determined by the Board.

Code Provision of A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. As Mr. Qian Lirong, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision.

TERMS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors was initially appointed for a term of three years commencing from 23 August 2011 and expired on 22 August 2014. Upon expiry of the initial term of service agreement, each of the independent non-executive Directors signed another service agreement with a term of three years commencing from 23 August 2014.

BOARD COMMITTEES

Audit committee

The audit committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. Members of the audit committee are Mr. Poon Yick Pang Philip, Professor Jin Xiaofeng, Ms. Jia Lina and Mr. Ng Wai Hung, all being independent non-executive Directors. Mr. Poon Yick Pang Philip is the chairman of the audit committee.

During the year ended 31 December 2014, the audit committee has held four meetings, at which the members of audit committee principally reviewed and discussed with the external auditor of the Company the Group's annual results and audited consolidated financial statements for the year ended 31 December 2013, the interim review scope and process for the Group's result for the six months ended 30 June 2014, the interim results for the six months ended 30 June 2014 and audit scope and process for the Group's annual results for the year ended 31 December 2014, respectively. The audit committee also discussed with the management the effectiveness of the financial reporting process and internal control system.

Remuneration committee

The remuneration committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the remuneration committee are to review and make recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of the Group. The remuneration committee shall also ensure that no Director or any of his/her associate is involved in deciding his/her own remuneration. Members of the remuneration committee comprise two independent non-executive Directors, namely Mr. Ng Wai Hung and Mr. Poon Yick Pang Philip, and one executive Director, namely Mr. Jiang Wei. Mr. Ng Wai Hung is the chairman of the remuneration committee.

Corporate Governance Report

During the year ended 31 December 2014, the remuneration committee has held three meetings, at which the members of remuneration committee principally reviewed and recommended the remuneration agreement, structure and policy for the Directors and senior management.

Nomination committee

The nomination committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the nomination committee are Professor Jin Xiaofeng, Ms. Jia Lina and Mr. Poon Yick Pang Philip, all being independent non-executive Directors. Professor Jin Xiaofeng is the chairman of the nomination committee.

According to the diversity policy of the Board adopted by the Company, the Board takes into account various elements of diversity including but not limited to age, gender, cultural and educational background, skills, professional knowledge, and industry experience in determining the appointment and reappointment of the Directors and proposed candidates. All Directors appointments are based on meritocracy and due regard is given to the Board's diversity to ensure the Company can obtain the benefits of such diversity. The nomination committee is responsible for the monitoring and review of the policy. During the year ended 31 December 2014, the nomination committee was satisfied with the diversity of the existing Board and did not, for the time being, set up any measurable objective regarding board diversity.

During the year ended 31 December 2014, the nomination committee has held one meeting, at which the members of nomination committee principally reviewed and recommended the diversity, structure, size and composition of the Board.

Corporate governance committee

The corporate governance committee has adopted written terms of reference in compliance with the code provisions set out in the CG Code. The primary duties of the corporate governance committee are to make recommendations to the Board on the development and review of the policies and practices on corporate governance, compliance with legal and regulatory requirements and corporate governance disclosure. Members of the corporate governance committee comprise one executive Director, namely Mr. Jiang Wei, and two independent non-executive Directors, namely Mr. Poon Yick Pang Philip and Mr. Ng Wai Hung. Mr. Jiang Wei is the chairman of the corporate governance committee.

During the year ended 31 December 2014, the corporate governance committee has held one meeting, at which the members of the corporate governance committee principally reviewed the policies and practices on the corporate governance adopted by the Company and made recommendation on the necessary revision in response to the changes in the relevant rules and regulations.

Corporate Governance Report

DIRECTORS' ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at various meetings held during the year ended 31 December 2014 are set out below:

	Board meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Corporate governance committee meeting	General meeting
Executive Directors						
Mr. Qian Lirong *(Chairman)*	9/9	N/A	N/A	N/A	N/A	2/2
Mr. Jiang Wei *(Group chief executive officer)*	9/9	N/A	3/3	N/A	1/1	2/2
Independent Non-executive Directors						
Professor Jin Xiaofeng	7/7	4/4	N/A	1/1	N/A	2/2
Ms. Jia Lina	7/7	4/4	N/A	1/1	N/A	2/2
Mr. Poon Yick Pang Philip	7/7	4/4	3/3	1/1	1/1	2/2
Mr. Ng Wai Hung	6/7	3/4	3/3	N/A	1/1	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the total fees paid/payable in respect of audit and non-audit services provided to the Group by Deloitte Touche Tohmatsu are set out below:

	RMB'000
Audit service	
Audit of the annual consolidated financial statements	1,394
Non-audit services	
Review of the interim condensed consolidated financial statements	299
Internal control review	146
Tax services	36

Directors' and auditor's responsibilities on the financial statements

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

A statement by the Company's external auditor, Deloitte Touche Tohmatsu, about their reporting responsibilities is included in the Independent Auditor's Report in this Annual Report.

Corporate Governance Report

Internal control system

The internal control system has been designed to safeguard the assets of the Group, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The Board carried out a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Company has engaged a consulting firm to conduct a review of the effectiveness of the internal control system of the Group including recommendations to enhance the overall internal control system for the year ended 31 December 2014. The internal control review report has been approved by audit committee and the Board. Based on the internal control review report and its own assessment, the Board considered that the Company's internal control system is adequate and effective. The Board has also assessed the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget and considered that they are adequate.

COMPANY SECRETARY

During the year ended 31 December 2014, the company secretary of the Company was an employee of the Company and the Company did not engage an external service provider as its company secretary. The company secretary took no less than 15 hours of the relevant professional training during the year ended 31 December 2014.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Pursuant to article 58 of the Company's articles of association (a copy of which can be downloaded at the Corporate Governance sub-section under the Investor Relations section in the Company's website), any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The written requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited to the company secretary at the Company's principal place of business, which is presently situated at Room 1801, 18/F., Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

Any Shareholder enquiry may be directed to the Board through the Company's investor relations department or the company secretary. Investor relations contact information and details of the company secretary of the Company are provided under the Corporate Information section in this annual report and in the Investor Relations section in the Company's website. The contact details of the company secretary is the Company's principal place of business as stated above.

Corporate Governance Report

There are no provisions allowing Shareholders to put forward proposals at the general meeting under the Company's articles of association 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 above to convene an extraordinary general meeting for any business specified in such written requisition.

The existing articles of association of the Company were adopted by the then sole shareholder of the Company on 28 February 2012. During the year ended 31 December 2014, there was no change in the Company's constitutional documents.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 25 March 2015

Directors' Report

The board ("Board") of directors ("Directors") of the Company hereby presents its annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an investment holding company. Particulars of the principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements of this annual report.

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 42 of this annual report.

An interim dividend of 7 HK cents per share amounting to HK$78,050,000 in aggregate was paid to the shareholders of the Company ("Shareholders") whose names appeared on the register of member of the Company on 12 September 2014 during the year ended 31 December 2014. The Board recommended the payment of a final dividend of HK7 cents per share for the year ended 31 December 2014 and the retention of the remaining profit for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 100 of this annual report.

FIXED ASSETS

Details of the movements during the year ended 31 December 2014 in the Group's investment properties and property, plant and equipment are set out in notes 15 and 16, respectively, to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year ended 31 December 2014 in the issued share capital of the Company are set out in note 30 to the consolidated financial statements of this annual report.

During the year ended 31 December 2014, the Company issued 200,000,000 ordinary shares of the Company as consideration for acquisition of 60% of the issued share capital of Jiang Mei Limited.

Directors' Report

ISSUE OF WARRANTS

On 12 February 2014, the Company entered into a placement agreement with a placing agent to place 200,000,000 warrants ("Warrant(s)") at an issue price of HK$0.01 per unit of Warrant entitling the holders thereof to subscribe in cash for up to an aggregate amount of HK$630,000,000 for new shares of the Company ("Warrant Shares") upon the exercise of the subscription rights attached to the Warrants at a subscription price of HK$3.15 per Warrant Share (subject to adjustments) at any time for the period commencing from the date of issue of the Warrants and ending on the third anniversary thereof. Pursuant to the approval granted by the shareholders of the Company on 28 March 2014, the Warrants were issued on 10 April 2014 to not less than six placees. Based on the initial subscription price of HK$3.15 per Warrant Share, upon the exercise of the subscription rights attached to the Warrants in full, 200,000,000 Warrant Shares will be issued. The Company intends to use the proceeds, if any, from the exercise of the subscription rights attached to the Warrant for repayment of debts and general working capital. None of the Warrants were exercised as at 31 December 2014.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution to Shareholders amounted to approximately RMB868.8 million.

DIRECTORS

The Directors during the year ended 31 December 2014 and up to the date of this annual report were as follows:

Executive Directors
Mr. Qian Lirong
Mr. Jiang Wei

Independent non-executive Directors
Professor Jin Xiaofeng
Ms. Jia Lina
Mr. Ng Wai Hung
Mr. Poon Yick Pang Philip

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, Mr. Qian Lirong and Professor Jin Xiaofeng shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he agreed to act as a Director for a fixed term of three years with effect from the date when the Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), which is 19 March 2012. Each of the executive Directors signed another service agreement with the Company for a fixed term of three years commencing on 19 March 2015.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a fixed term of three years with effect from 23 August 2014.

Directors' Report

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).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). Based on such confirmations, the Company considers all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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 and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) as recorded in the register required to be kept under section 352 of the SFO, or which otherwise notified to 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

(1) Interests in the shares and underlying shares of the Company

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest
Mr. Qian Lirong	Interest in controlled corporation	611,140,000 *(Note a)*	–	611,140,000	46.47%
	Interest in controlled corporation	250,000 *(Note b)*	–	250,000	0.02%
	Beneficial owner	6,582,000	–	6,582,000	0.50%
Mr. Jiang Wei	Beneficial owner	60,000	2,000,000 *(Note c)*	2,060,000	0.16%
Professor Jin Xiaofeng	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%
Ms. Jia Lina	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%
Mr. Poon Yick Pang Philip	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%
Mr. Ng Wai Hung	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%

Directors' Report

Notes:

(a) These shares are registered in the name of Trigiant Investments Limited ("Trigiant Investments"), a company owned as to 76.88% by Abraholme International Limited ("Abraholme") as at 31 December 2014, which is wholly owned by Mr. Qian Lirong. Under the SFO, Mr. Qian Lirong is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

(b) These shares are registered in the name of Abraholme.

(c) These interests in underlying shares represent interests in options granted on 20 June 2014 under the Company's share option scheme conditionally adopted on 27 May 2014 which were accepted on 4 July 2014. Please refer to note 31 to the consolidated financial statements for further details of the share option granted.

(2) Interests in associated corporations

Name of Director	Name of associated corporation	Nature of interest	Number and class of shares in the associated corporation	Approximate percentage of interest
Mr. Qian Lirong	Abraholme	Beneficial owner	10 ordinary shares	100.00%
Mr. Qian Lirong	Trigiant Investments	Interest in controlled corporation	615 ordinary shares	76.88%

Save as disclosed above, as at 31 December 2014, 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.

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting of the Company held on 27 May 2014, the Company adopted its first share option scheme ("Share Option Scheme") to allow the Group to grant options to eligible participants to entitle them to subscribe for new shares as incentives or rewards for their contribution to the Group. Further details of the Share Option Scheme and the share options granted are disclosed in note 31 to the consolidated financial statements.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2014, was the Group or any of the Company's holding companies or subsidiaries of the Company's holding companies 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.

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.

Directors' Report

CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Group, the Company's holding companies or subsidiaries of the Company's holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2014, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

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/entities, other than the Directors or the chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company as follows:

Long positions

Name of shareholder	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest *(Note d)*
Trigiant Investments	Beneficial owner	611,140,000	–	611,140,000	46.47%
Abraholme	Beneficial owner	250,000	–	250,000	0.02%
	Interest in controlled corporation	611,140,000 *(Note a)*	–	611,140,000	46.47%
Madam Qian Jindi	Interest of spouse	617,972,000 *(Note b)*	–	617,972,000	46.99%
Haier Electrical Appliances Second Holdings (BVI) Limited	Beneficial owner	–	67,000,000 *(Note c)*	67,000,000	5.10%
Qingdao Haier Investment and Development Co., Ltd. 青島海爾投資發展有限公司	Interest in controlled corporation	–	67,000,000 *(Note c)*	67,000,000	5.10%
Qingdao Haier Collective Asset Management Association 青島海爾集體資產管理協會	Interest in controlled corporation	–	67,000,000 *(Note c)*	67,000,000	5.10%

Directors' Report

Notes:

(a) These shares are registered in the name of Trigiant Investments, a company owned as to 76.88% by Abraholme, which is wholly owned by Qian Lirong. Under the SFO, each of Mr. Qian Lirong and Abraholme is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

(b) Madam Qian Jindi is the spouse of Mr. Qian Lirong and under the SFO, she is deemed to be interested in all the shares in which Mr. Qian Lirong is interested or deemed to be interested.

(c) Based on the notices of disclosure of interests of Haier Electrical Appliances Second Holdings (BVI) Limited, Qingdao Haier Investment and Development Co., Ltd. 青島海爾投資發展有限公司 and Qingdao Haier Collective Asset Management Association 青島海爾集體資產管理協會 each filed with the Stock Exchange filed on 30 December 2014, these interests in underlying shares are registered in the name of Haier Electrical Appliances Second Holdings (BVI) Limited, a company wholly owned by Qingdao Haier Investment and Development Co., Ltd. 青島海爾投資發展有限公司, which in turn is owned as to 63.42% by Qingdao Haier Collective Asset Management Association 青島海爾集體資產管理協會.

(d) The denominator for calculating the approximate percentage of interest was based on the total number of issued shares of the Company as at 31 December 2014.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2014, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 65.5% (2013: 68.1%) and 82.1% (2013: 80.9%) of the Group's total purchases respectively.

For the year ended 31 December 2014, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 42.4% (2013: 59.2%) and 96.8% (2013: 97.5%) of the Group's total turnover respectively.

At all time during the year ended 31 December 2014, none of the Directors or any of their associates or any Shareholders whom, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

DONATIONS

The Group made charitable donations totalling approximately RMB3.2 million during the year ended 31 December 2014.

EMOLUMENT POLICY

The employees of the Group are remunerated with monthly salary, subject to annual review and discretionary bonuses. They are also entitled, subject to eligibility, to retirement fund and provident fund. The Company also adopted the Share Option Scheme as an incentive to directors and eligible employees.

The remuneration committee of the Company reviews and makes recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to Directors and senior management. Details of the remuneration of the Directors for the year ended 31 December 2014 are set out in note 11 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands where the Company is incorporated.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float during the year ended 31 December 2014 and up to the date of this report.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

On 19 March 2012, the Company issued 200,000,000 new shares of nominal value of HK$0.01 each in connection with the listing of its shares on the Stock Exchange ("IPO"). The net proceeds after deducting the issuing expenses arising from the IPO amounted to approximately HK$185 million (equivalent to approximately RMB150 million).

Up to 31 December 2014, the application of net proceeds from the IPO was summarised as follows:

- approximately RMB45.0 million has been utilised for the expansion of the sales and distribution network of the Group;
- approximately RMB22.5 million has been utilised for the expansion of the production capacity and advancement of production facilities;
- approximately RMB15.0 million has been utilised for the expansion of research and development of new products and upgrading existing product functions and related technologies;
- approximately RMB30.0 million has been utilised for the repayment of bank borrowings; and
- approximately RMB15.0 million has been utilised for general working capital.

As at 31 December 2014, the remaining net proceeds of approximately RMB22.5 million were deposited with certain licensed financial institutions.

In October 2013, the Company completed a placing and top-up subscription arrangement and raised net proceeds of approximately HK$352.4 million (equivalent to approximately RMB279.2 million). As at 31 December 2014, all the related net proceeds were utilised as general working capital of the Group and for repayment of debts.

In April 2014, the Company completed the issuance of the Warrants. The net proceeds from the issuance of the Warrants of approximately HK$1.7 million (equivalent to approximately RMB1.6 million) were utilised as general working capital of the Group.

Directors' Report

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 forthcoming annual general meeting to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 25 March 2015

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 99, 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 its 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

25 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	**2,658,093**	2,458,000
Cost of goods sold		**(2,065,226)**	(1,893,033)
Gross profit		**592,867**	564,967
Other income	8	**14,869**	8,297
Other gains and losses		**1,230**	2,078
Selling and distribution costs		**(52,258)**	(63,764)
Administrative expenses		**(47,224)**	(52,693)
Research and development costs		**(26,709)**	(23,745)
Fair value change of warrants	29	**(18,317)**	–
Gain recognised on deemed disposal of an available-for-sale investment	20	**23,769**	–
Finance costs	9	**(46,538)**	(55,019)
Profit before taxation	10	**441,689**	380,121
Taxation	12	**(72,620)**	(66,551)
Profit for the year		**369,069**	313,570
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation surplus on properties upon transfer to investment properties		**–**	3,502
Income tax relating to the component of other comprehensive income		**–**	(876)
		–	2,626
Total comprehensive income for the year		**369,069**	316,196
Profit for the year attributable to:			
Owners of the Company		**369,069**	313,570
Non-controlling interests		**–**	–
		369,069	313,570
Total comprehensive income attributable to:			
Owners of the Company		**369,069**	316,196
Non-controlling interests		**–**	–
		369,069	316,196
Earnings per share	14		
— Basic		**RMB33.07 cents**	RMB30.62 cents
— Diluted		**RMB33.07 cents**	N/A

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Investment properties	15	**6,970**	33,800
Property, plant and equipment	16	**275,346**	189,278
Land use rights	17	**64,760**	65,401
Intangible asset	18	**121,005**	–
Goodwill	19	**41,773**	–
Available-for-sale investments	20	**6,375**	20,000
		516,229	308,479
Current assets			
Inventories	21	**154,925**	122,845
Trade and other receivables	22	**2,431,234**	1,633,082
Pledged bank deposits	23	**354,343**	131,739
Bank balances and cash	23	**487,714**	438,247
		3,428,216	2,325,913
Current liabilities			
Trade and other payables	24	**366,185**	273,169
Amount due to a related party	25	**39,739**	–
Bank borrowings — due within one year	26	**1,372,722**	735,828
Tax payables		**33,780**	16,461
		1,812,426	1,025,458
Net current assets		**1,615,790**	1,300,455
Total assets less current liabilities		**2,132,019**	1,608,934
Non-current liabilities			
Government grants	27	**1,413**	1,752
Bank borrowings — due after one year	26	**–**	80,000
Deferred taxation	28	**48,658**	22,938
Warrants	29	**19,926**	–
		69,997	104,690
Net assets		**2,062,022**	1,504,244
Capital and reserves			
Share capital	30	**10,629**	9,051
Reserves		**1,945,659**	1,495,193
Equity attributable to owners of the Company		**1,956,288**	1,504,244
Non-controlling interests		**105,734**	–
Total equity		**2,062,022**	1,504,244

The consolidated financial statement on pages 42 to 99 were approved and authorised for issue by the Board of Directors on 25 March 2015 and are signed on its behalf by:

Qian Lirong
Director

Jiang Wei
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital *RMB'000*	**Share premium** *RMB'000*	**Statutory surplus reserve fund** *RMB'000* *(Note a)*	**Special reserve** *RMB'000* *(Note b)*	**Other reserve** *RMB'000*	**Property revaluation reserve** *RMB'000*	**Share option reserve** *RMB'000*	**Accumulated profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2013	8,140	363,245	114,103	62,947	24	622	–	455,677	1,004,758	–	1,004,758
Profit for the year	–	–	–	–	–	–	–	313,570	313,570	–	313,570
Other comprehensive income for the year	–	–	–	–	–	2,626	–	–	2,626	–	2,626
Total comprehensive income for the year	–	–	–	–	–	2,626	–	313,570	316,196	–	316,196
Issue of new shares *(Note 30)*	911	286,063	–	–	–	–	–	–	286,974	–	286,974
Expenses incurred in connection with the issue of shares	–	(7,801)	–	–	–	–	–	–	(7,801)	–	(7,801)
Dividends recognised as distribution *(Note 13)*	–	–	–	–	–	–	–	(95,883)	(95,883)	–	(95,883)
Transfer	–	–	48,426	–	–	–	–	(48,426)	–	–	–
At 31 December 2013	9,051	641,507	162,529	62,947	24	3,248	–	624,938	1,504,244	–	1,504,244
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**369,069**	**369,069**	**–**	**369,069**
Non-controlling interests arising on the acquisition of subsidiaries *(Note 32)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**105,734**	**105,734**
Issue of shares in respect of acquisition of subsidiaries *(Notes 30 & 32)*	**1,578**	**198,795**	**–**	**–**	**–**	**–**	**–**	**–**	**200,373**	**–**	**200,373**
Expenses incurred in connection with the issue of shares	**–**	**(127)**	**–**	**–**	**–**	**–**	**–**	**–**	**(127)**	**–**	**(127)**
Reclassification upon transfer of investment properties to property, plant and equipment	**–**	**–**	**–**	**–**	**–**	**(2,626)**	**–**	**2,626**	**–**	**–**	**–**
Recognition of equity-settled share based payment *(Note 31)*	**–**	**–**	**–**	**–**	**–**	**–**	**5,663**	**–**	**5,663**	**–**	**5,663**
Dividends recognised as distribution *(Note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(122,934)**	**(122,934)**	**–**	**(122,934)**
Transfer	**–**	**–**	**71,990**	**–**	**–**	**–**	**–**	**(71,990)**	**–**	**–**	**–**
At 31 December 2014	**10,629**	**840,175**	**234,519**	**62,947**	**24**	**622**	**5,663**	**801,709**	**1,956,288**	**105,734**	**2,062,022**

Notes:

(a) 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 Company are required to maintain a statutory surplus reserve 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 amount and allocation basis are decided by directors of those subsidiaries annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied for conversion into capital by means of capitalisation issue.

(b) The special reserve represents the deemed contribution arising from acquisition of a subsidiary in 2009.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		**441,689**	380,121
Adjustments for:			
Gain on disposal of property, plant and equipment		**(66)**	(80)
Interest income		**(9,740)**	(3,939)
Government grants		**(339)**	(340)
Fair value changes on investment properties		**(900)**	(1,800)
Exchange gain		**(330)**	(278)
Finance costs		**46,538**	55,019
Depreciation of property, plant and equipment		**21,017**	17,565
Operating lease rentals in respect of land use rights		**1,723**	1,731
Fair value change of warrants	*29*	**18,317**	–
Expense recognised in respect of equity-settled share-based payments	*31*	**5,663**	–
Gain recognised on deemed disposal of an available-for-sale investment	*20*	**(23,769)**	–
Operating cash flows before movements in working capital		**499,803**	447,999
Decrease in inventories		**8,882**	22,467
Increase in trade and other receivables		**(566,507)**	(361,301)
Increase (decrease) in trade and other payables		**24,386**	(35,543)
Cash (used in) from operations		**(33,436)**	73,622
PRC Enterprise Income Tax paid		**(59,570)**	(58,241)
PRC withholding tax paid		**(263)**	(5,032)
Net cash (used in) from operating activities		**(93,269)**	10,349
Investing activities			
New pledged bank deposits placed		**(432,005)**	(168,476)
Purchase of property, plant and equipment		**(40,372)**	(31,700)
Investment in an available-for-sale investment		**(375)**	–
Release of pledged bank deposits		**209,401**	166,519
Acquisition of subsidiaries	*32*	**110,398**	–
Interest received		**5,408**	4,492
Proceeds from disposal of property, plant and equipment		**144**	123
Payment for acquisition of land use rights		**–**	(5,502)
Net cash used in investing activities		**(147,401)**	(34,544)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
Financing activities		
New bank borrowings raised	**2,065,053**	1,408,143
Proceeds from issue of warrants	**1,587**	–
Repayment of bank borrowings	**(1,608,135)**	(1,557,784)
Dividends paid	**(122,934)**	(95,883)
Interest paid	**(45,307)**	(51,912)
Expenses incurred in connection with the issue of shares	**(127)**	(7,801)
Proceeds from issue of shares	**–**	286,974
Net cash from (used in) financing activities	**290,137**	(18,263)
Net increase (decrease) in cash and cash equivalents	**49,467**	(42,458)
Cash and cash equivalent at beginning of the year	**438,247**	480,705
Cash and cash equivalent at end of the year, represented by bank balances and cash	**487,714**	438,247

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company was 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 ("Stock Exchange"). During the year and up to 29 December 2014, the immediate and ultimate holding company of the Company was Trigiant Investments Limited ("Trigiant Investments") and Abraholme International Limited, respectively, both companies were incorporated in the British Virgin Islands ("BVI"). On 30 December 2014, 200,000,000 ordinary shares of the Company with par value of HK$0.01 each were issued in respect of the acquisition of subsidiaries (details as set out in note 32). Subsequently, in the opinion of the directors of the Company, the Company does not have an immediate and ultimate holding company. The addresses of the registered office of the Company and the principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is to act as an investment holding company. The Group is mainly engaged in the manufacture and sales of Radio Frequency ("RF") coaxial cable series, flame-retardant flexible cable series, optical fibre cable series and related products for mobile telecommunications and telecommunication equipment.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new interpretation (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 effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or 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.

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.

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 (continued)

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.

- 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.

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 (continued)

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. The Group's unlisted equity investments that are currently classified as available-for-sale investments measured at cost less impairment 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. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. Changes in fair value of financial liabilities (i.e. warrants) attributable to change in credit risk of financial liabilities that are designated at fair value through profit or loss are disclosed in note 29.

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.

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, except for the investment properties and warrants that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based 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 (see the accounting policy below); 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 reassessment, 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 acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 sale of goods is recognised when the goods are delivered and titles have 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 income can be measure 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

If there is a transfer from investment property carried at fair value to owner-occupied property evidenced by the commencement of owner occupation, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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 subsequent accumulated impairment losses, if any.

Construction in progress include property, plant and equipment in the course of construction for production or for its own use purpose. Construction in progress are carried at cost less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidence by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On subsequent sale on retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

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 is determined as the difference between the net sales proceeds and the carrying amount of the asset and is included in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Land use rights

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification 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, unless it is clear that both elements are operating leases in which case the entire lease is classified as operating lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis, except for those that are classified and accounted for as investment properties under the fair value model.

The up-front payments to acquire leasehold interest in land are accounted for as operating leases and are stated at cost and released over the lease term on a straight line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development costs

Expenditure on research activities, including staff costs, 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 recognised in 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 of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or cash-generating unit) 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 when the 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 (other than financial assets and financial liabilities at fair value through profit or loss) 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 marketplace.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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 instrument.

Loans and receivables

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

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.

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 each 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 asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 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, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are 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 estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 either as 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. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, 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.

Warrants

Warrants that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument are accounted as derivatives. The warrants are initially recognised at fair value and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial liabilities

Financial liabilities (including trade and other payables, amount due to a related party and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 and the corresponding tax bases 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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 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, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Leasing

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

The Group as lessor

Renal income from operating lease is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessee

Operating leases payments are recognised as an expense on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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 on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 31.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgement in applying accounting policies (continued)

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. As a result, the Group has not recognised deferred taxes on land appreciation taxes in respect of changes in fair value of investment properties situated in the PRC but has recognised deferred tax on income tax on the assumption that these investment properties will be recovered through use.

Key sources of estimation uncertainty

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

Allowance for 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 inventories, the actual realisable value of inventories is not known until the sale was concluded. At 31 December 2014, the carrying amount of inventories are approximately RMB154,925,000 (2013: RMB122,845,000).

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 RMB2,400,312,000 (2013: RMB1,592,501,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

During the year ended 31 December 2014, no impairment loss is recognised and information relating to the estimates used in assessing the carrying amount of goodwill is set out in note 19.

Fair value measurement and valuation process

The Group's investment properties and warrants are measured at fair value for financial reporting purposes. The board of directors of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets and liabilities, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties and warrants are disclosed in notes 15 and 6, respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the 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, issue of new shares as well as the issue of new debts or the redemption of existing debts.

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)	**3,262,041**	2,200,199
Available-for-sale investments	**6,375**	20,000
Financial liabilities		
Amortised cost	**1,751,124**	1,074,569
Warrants	**19,926**	–

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, available-for-sale investments, pledged bank deposits, bank balances and cash, trade and other payables, amount due to a related party, warrants and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and equity price 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.

Market risk

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 interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates. Bank borrowings at fixed interest rates expose 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"), London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") from its RMB denominated borrowings, United States Dollars denominated borrowings and Hong Kong Dollars denominated borrowings, respectively.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank pledged 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)

Market risk (continued)

Interest rate risk (continued)

If interest rates on pledged bank deposits and bank balances had been 5 basis points (2013: 5 basis points) lower and bank borrowings had been 25 basis points (2013: 25 basis points) lower and all other variables were held constant, the Group's post tax profit for the year would be increased by RMB1,399,000 (2013: RMB744,000).

There would be an equal and opposite impact on the post tax profit for the year where there had been 5 basis points (2013: 5 basis points) higher for pledged bank deposits and bank balances and 25 basis points (2013: 25 basis points) higher for bank borrowings. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

Currency risk

The Group have foreign currency sales during the year which exposed to foreign currency risk. During the year ended 31 December 2014 approximately 0.7% (2013: 0.3%) 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 end of the reporting period are as follows:

	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Hong Kong Dollars	**4,082**	**51,697**	23,617	422
United States Dollars	**93,108**	**478,445**	30,020	240,828

The Group are mainly exposed to currency risk of United States Dollars and Hong Kong Dollars, relative to the RMB, the functional currency of the relevant group entities. 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. The sensitivity analysis includes bank balances, trade and other receivables, trade and other payables and bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

If the RMB strengthens 5% against the relevant currencies, the post tax profit for the year will be increased (decreased) as follows:

	2014	2013
	RMB'000	RMB'000
Hong Kong Dollars	**1,786**	(870)
United States Dollars	**14,450**	7,905

There would be an equal and opposite impact on the result of the year if RMB weakens 5% against the relevant currencies. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

Equity price risk

The Group is exposed to equity price risk in relation to its available-for-sale investments which are measured at cost less impairment at the end of the reporting period. The Group's equity price risk is mainly concentrated on its equity investments in one (2013: two) PRC local enterprise(s) (details are disclosed in note 20). In managing the equity price risk, the management reviews the carrying amounts of the investments and assess whether there is any indication of impairment on a regular basis.

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.

The Group has concentration of credit risk in relation to trade and bills receivables from top three customers amounting to RMB2,265,287,000 (2013: RMB1,560,994,000) representing approximately 93.8% (2013: 96.3%) of the total trade and bills receivables at 31 December 2014. The largest trade receivable from a customer by itself accounted for approximately 39.5% (2013: 55.1%) of the total trade and bills receivables at 31 December 2014. In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade and bills receivables regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk that takes into consideration the ageing status and estimate the likelihood of collection. In this regard, the directors of the Company consider that the credit risk on trade receivables is significantly reduced.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows.

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

	Weighted average effective interest rate	Repayable on demand or less than 6 months	6 months to 1 year	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014					
Trade and other payables	–	338,663	–	338,663	338,663
Amount due to a related party	–	39,739	–	39,739	39,739
Bank borrowings					
— variable rate	4.35	638,366	292,939	931,305	914,722
— fixed rate	5.89	288,753	184,195	472,948	458,000
		1,305,521	477,134	1,782,655	1,751,124

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Over 1 year but not more than 2 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2013						
Trade and other payables	–	258,741	–	–	258,741	258,741
Bank borrowings						
— variable rate	4.00	261,274	184,692	80,427	526,393	510,828
— fixed rate	6.27	309,505	–	–	309,505	305,000
		829,520	184,692	80,427	1,094,639	1,074,569

Fair value measurements of financial instruments

Other than the financial liability at FVTPL, the fair value of other 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.

The Group's warrants are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the warrants are determined (in particular, the valuation technique and inputs used).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments (continued)

Financial liability	Fair value at 31.12.2014 RMB'000	Fair value at 31.12.2013 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs and relationship
Financial liability at FVTPL: Warrants	**19,926**	N/A	Level 2	Binomial model Key inputs: (1) Share price (2) Exercise price (3) Risk free rate (4) Dividend yield (5) Expected volatility (6) Expected life	The higher the risk free rate, dividend yield and expected volatility, the higher the fair value.

There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2014.

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the fair value of the consideration received and receivable for goods sold during the year, net of discounts and sales related taxes.

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

- RF coaxial cable series
- Flame-retardant flexible cable series
- New-type electronic components
- Optical fibre cable series and related products
- Other accessories (including splitters, couplers and combiners)

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.

During the year, the Group acquired a new business which engages in the manufacture and sales of optical fibre cable series and related products (details as set out in note 32).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. TURNOVER AND SEGMENT INFORMATION (continued)

The segment results represent the gross profits earned by each segment (segment revenue less segment cost of goods sold). Other income, other gains and losses, selling and distribution costs, administrative expenses, research and development costs, fair value change of warrants, gain recognised on deemed disposal of an available-for-sale investment, finance costs and taxation are not allocated to each reportable segment. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The information of segment results are as follows:

For the year ended 31 December 2014

	RF coaxial cable series RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Other accessories RMB'000	Optical fibre cable series and related products RMB'000	Total RMB'000
Turnover	1,827,426	559,941	108,398	162,328	–	2,658,093
Cost of goods sold	(1,394,879)	(444,488)	(75,190)	(150,669)	–	(2,065,226)
Segment result	432,547	115,453	33,208	11,659	–	592,867

For the year ended 31 December 2013

	RF coaxial cable series RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Other accessories RMB'000	Total RMB'000
Turnover	1,805,847	500,956	73,112	78,085	2,458,000
Cost of goods sold	(1,377,750)	(394,543)	(50,756)	(69,984)	(1,893,033)
Segment result	428,097	106,413	22,356	8,101	564,967

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

7. TURNOVER AND SEGMENT INFORMATION (continued)

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

	2014 RMB'000	2013 RMB'000
Reportable segment results	**592,867**	564,967
Unallocated income and expenses		
— Other income	**14,869**	8,297
— Other gains and losses	**1,230**	2,078
— Selling and distribution costs	**(52,258)**	(63,764)
— Administrative expenses	**(47,224)**	(52,693)
— Research and development costs	**(26,709)**	(23,745)
— Fair value change of warrants	**(18,317)**	–
— Gain recognised on deemed disposal of an available-for-sale investment	**23,769**	–
— Finance costs	**(46,538)**	(55,019)
Profit before taxation	**441,689**	380,121
Taxation	**(72,620)**	(66,551)
Profit for the year	**369,069**	313,570

As there is no discrete information in respect of segment assets and liabilities and other information available for the assessment of performance and allocation of resources for different reportable segment and thus, no analysis of segment assets and liabilities is presented.

Substantially all of the Group's turnover is derived from the PRC and substantially all of its non-current assets are also located in the PRC (the place of domicile).

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total turnover of the Group are as follows:

	2014 RMB'000	2013 RMB'000
Customer A	**1,126,485**	1,454,012
Customer B	**1,017,711**	723,980
Customer C	**341,143**	N/A[1]

[1] The corresponding revenue in 2013 for Customer C did not contribute over 10% of the total sales of the Group.

The three customers purchased goods from all segments except from the optical fibre cable series and related products segment during the year ended 31 December 2014 and 2013.

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For the year ended 31 December 2014

8. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Government grants *(note)*	**3,366**	2,246
Interest income	**9,740**	3,939
Rental income	**1,519**	1,387
Others	**244**	725
	14,869	8,297

Note: As at 31 December 2014, included in government grants is approximately RMB3,027,000 (2013: RMB1,906,000) incentive provided by the PRC local authorities to the Group for encouragement of business development in the Yixing region. There were no specific conditions attached to the grants, and the Group recognised the grants upon receipts. In respect of the remaining amount of approximately RMB339,000 (2013: RMB340,000), they are government subsidies received for the acquisition of property, plant and equipment as disclosed in note 27.

9. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on bank loans wholly repayable within five years	**46,538**	55,019

10. PROFIT BEFORE TAXATION

	2014 RMB'000	2013 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 11)*	**2,476**	2,227
Other staff costs:		
Salaries and other benefits	**44,808**	44,460
Retirement benefit scheme contributions	**4,075**	3,370
Share-based payment	**5,391**	–
Total staff costs	**56,750**	50,057
Auditor's remuneration	**1,693**	1,472
Cost of inventories recognised as expenses	**2,065,226**	1,893,033
Depreciation of property, plant and equipment	**21,017**	17,565
Operating lease payment in respect of warehouses and office premises	**1,247**	1,345
Operating lease rentals in respect of land use rights	**1,723**	1,731
and after crediting:		
Exchange gain (include in other gains and losses)	**330**	278
Gain on disposal of property, plant and equipment	**66**	80
Gain on fair value changes on investment properties (include in other gains and losses)	**900**	1,800
Gross rental income from investment properties (net of nil direct operating expenses)	**1,519**	1,387

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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:

For the year ended 31 December 2014

	Mr. Qian Lirong RMB'000 *(note a)*	Mr. Jiang Wei RMB'000 *(note b)*	Professor Jin Xiao Feng RMB'000	Ms. Jia Lina RMB'000	Mr. Poon Yick Pang Philip RMB'000	Mr. Ng Wai Hung RMB'000	Total RMB'000
— directors' fee	–	–	63	63	158	142	426
— basic salaries and allowances	958	798	–	–	–	–	1,756
— retirement benefits scheme contributions	11	11	–	–	–	–	22
— share-based payment	–	152	30	30	30	30	272
	969	961	93	93	188	172	2,476

For the year ended 31 December 2013

	Mr. Qian Lirong RMB'000 *(note a)*	Mr. Jiang Wei RMB'000 *(note b)*	Professor Jin Xiao Feng RMB'000	Ms. Jia Lina RMB'000	Mr. Poon Yick Pang Philip RMB'000	Mr. Ng Wai Hung RMB'000	Total RMB'000
— directors' fee	–	–	64	64	159	144	431
— basic salaries and allowances	968	808	–	–	–	–	1,776
— retirement benefits scheme contributions	10	10	–	–	–	–	20
	978	818	64	64	159	144	2,227

Notes:

(a) Mr. Qian Lirong is also the chairman of the board of directors of the Company and his emoluments disclosed above include those services rendered by him as the chairman of the Company.

(b) Mr. Jiang Wei is also the chief executive officer of the Company and his emoluments disclosed above include those services rendered by him as the chief executive officer of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEE'S EMOLUMENTS (continued)

Of the five highest paid individuals of the Group, two (2013: two) were the directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 **RMB'000**	2013 RMB'000
Basic salaries and allowances	**2,570**	2,120
Retirement benefits scheme contributions	**34**	22
Share-based payment	**426**	–
	3,030	2,142

Their emoluments were within the following bands:

	2014 **No. of employees**	2013 No. of employees
HK$nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	–

During the year ended 31 December 2014 and 2013, no emoluments were paid by the Group to the directors of the Company and any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during both years.

12. TAXATION

	2014 **RMB'000**	2013 RMB'000
The charge (credit) comprises:		
PRC Enterprise Income Tax	**77,152**	65,708
Deferred taxation *(note 28)*	**(4,532)**	843
Taxation for the year	**72,620**	66,551

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

12. TAXATION (continued)

Pursuant to the relevant laws and regulations, Jiangsu Trigiant Technology Co., Ltd. 江蘇俊知技術有限公司 ("Trigiant Technology"), the principal subsidiary of the Company, was endorsed as an Advanced Technology Enterprise on 21 May 2012 and entitled to a preferential tax rate of 15% from 2013 to 2015 pursuant to the Enterprise Income Tax Law ("EIT Law") of the PRC.

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detail Implementation Rules.

No provision for Hong Kong Profits Tax was made in the consolidated financial statements as the Group did not derive assessable profits from Hong Kong for both years.

The taxation for the year can be reconciled to the profit before taxation as follows:

	2014 **RMB'000**	2013 RMB'000
Profit before taxation	**441,689**	380,121
Tax at the applicable income tax rate of 25%	**110,422**	95,030
Tax effect on income not taxable for tax purpose	**(6,079)**	(3,058)
Tax effect on expenses not deductible for tax purpose	**7,623**	7,366
Tax effect of tax concession	**(44,768)**	(38,392)
Withholding tax on undistributed earnings	**5,422**	5,605
Taxation for the year	**72,620**	66,551

13. DIVIDENDS

	2014 **RMB'000**	2013 RMB'000
Dividends recognised as distribution during the year:		
2013 final — HK7 cents (2012: HK5 cents) per share	**61,987**	39,830
2014 interim — HK7 cents (2013: HK7 cents) per share	**60,947**	56,053
	122,934	95,883

Subsequent to the end of the reporting period, a final dividend of HK7 cents per share in respect of the year ended 31 December 2014 (2013: HK7 cents per share) has been proposed by the directors of the Company. Such final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

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For the year ended 31 December 2014

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2014	2013
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**369,069**	313,570
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,116,095,890**	1,023,945,205

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

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

15. INVESTMENT PROPERTIES

	2014	2013
	RMB'000	RMB'000
AT FAIR VALUE		
At 1 January	**33,800**	18,600
Reclassified (to) from land use rights and property, plant and equipment	**(27,730)**	13,400
Changes in fair value recognised in profit or loss	**900**	1,800
At 31 December	**6,970**	33,800

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For the year ended 31 December 2014

15. INVESTMENT PROPERTIES (continued)

The Group's investment properties were situated in the PRC under medium-term leases.

During the year ended 31 December 2014, the Group acquired 60% interest in the holding company of Jiangsu Trigiant Optic-Electric Communication Co., Ltd. 江蘇俊知光電通信有限公司 ("Trigiant Optic-Electric") (details as set out in note 32). As a result, Trigiant Optic-Electric became a non-wholly owned subsidiary of the Group. Upon the acquisition, the properties originally rented to Trigiant Optic-Electric become owner-occupied properties and the Group reclassified these investment properties to property, plant and equipment and land use rights with fair value at the time of transfer of RMB26,621,000 and RMB1,109,000, respectively. Property revaluation reserve of approximately RMB2,626,000 previously recognised in respect of these properties is transferred to accumulated profits.

During the year ended 31 December 2013, the Group changed the use of certain of its properties (previously classified as property, plant and equipment and land use rights) and leased out for rental income. Upon the transfer, the Group reclassified its property, plant and equipment and land use rights with carrying amount of RMB7,043,000 and RMB2,855,000, respectively, to investment properties. The respective buildings and land use rights were revalued at fair value on the date of transfer with a gain on revaluation of approximately RMB3,502,000, which had been credited to property revaluation reserve.

The fair value of the Group's investment properties at 31 December 2014 and 31 December 2013 have been arrived at on the basis of a valuation carried out at those dates by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group. The valuation was arrived at based on income method on the basis of capitalisation of net income based on a schedule provided by the management of the Group with due allowance for reversionary income potential of the property and where appropriate, also considered direct comparison approach by making reference to the comparable market transactions as available in the market.

All of the Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

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For the year ended 31 December 2014

15. INVESTMENT PROPERTIES (continued)

The following table gives information about how the fair value of the Group's investment properties is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurement is categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

Carrying value of investment properties	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Industrial properties in the PRC RMB6,970,000 (2013: RMB33,800,000)	Level 3	The key inputs are: (1) Term yield; (2) Reversionary yield; and (3) Market unit rent of individual Unit.	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received, of 6% (2013: 6%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 7% (2013: 7%).	The higher the reversionary yield, the lower the fair value.
			Market unit rent, using direct market comparables and taking into account of location and other individual factors such as size of property and facilities, of RMB11.3/square metre/month (2013: RMB11.2/square metre/month).	The higher the market unit rent, the higher the fair value.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2013	90,447	115,597	4,771	6,673	14,159	231,647
Additions	–	24,888	658	3,679	1,974	31,199
Reclassified to investment properties *(note 15)*	(7,932)	–	–	–	–	(7,932)
Transfer	14,516	1,228	115	–	(15,859)	–
Disposals	–	–	–	(430)	–	(430)
At 31 December 2013	97,031	141,713	5,544	9,922	274	254,484
Additions	40,100	86	1,462	372	1,779	43,799
Acquisition of subsidiaries *(note 32)*	–	35,812	931	–	–	36,743
Reclassified from investment properties *(note 15)*	26,621	–	–	–	–	26,621
Transfer	–	132	100	–	(232)	–
Disposals	–	–	(5)	(767)	–	(772)
At 31 December 2014	**163,752**	**177,743**	**8,032**	**9,527**	**1,821**	**360,875**
DEPRECIATION						
At 1 January 2013	11,533	31,710	2,317	3,357	–	48,917
Provided for the year	4,163	11,359	927	1,116	–	17,565
Reclassified to investment properties *(note 15)*	(889)	–	–	–	–	(889)
Eliminated on disposal	–	–	–	(387)	–	(387)
At 31 December 2013	14,807	43,069	3,244	4,086	–	65,206
Provided for the year	5,272	13,682	683	1,380	–	21,017
Eliminated on disposal	–	–	(4)	(690)	–	(694)
At 31 December 2014	**20,079**	**56,751**	**3,923**	**4,776**	**–**	**85,529**
CARRYING VALUES						
At 31 December 2014	**143,673**	**120,992**	**4,109**	**4,751**	**1,821**	**275,346**
At 31 December 2013	82,224	98,644	2,300	5,836	274	189,278

The Group's buildings are located on land in the PRC under a lease term of 50 years.

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items 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	4.5%
Plant and machinery	9%
Furniture, fixtures and equipment	18%
Motor vehicles	18%

17. LAND USE RIGHTS

	2014 **RMB'000**	2013 RMB'000
CARRYING AMOUNT		
At beginning of the year	**67,097**	71,683
Transferred from (to) investment properties *(note 15)*	**1,109**	(2,855)
Charge to profit or loss for the year	**(1,723)**	(1,731)
At the end of the year	**66,483**	67,097
Analysed for reporting purposes as:		
Current portion *(note 22)*	**1,723**	1,696
Non-current portion	**64,760**	65,401
	66,483	67,097

The amount represents prepayment of rentals for land use rights under medium-term lease situated in the PRC for a period of 50 years.

At 31 December 2014, the Group pledged its land use rights with carrying value of approximately RMB11,854,000 (2013: RMB12,177,000) to secure general banking facilities granted to the Group.

18. INTANGIBLE ASSET

	2014 **RMB'000**	2013 RMB'000
Acquired on acquisition of subsidiaries and balance at 31 December 2014 *(note 32)*	**121,005**	–

The intangible asset represents customer relationship acquired by the Group as part of a business combination during the year and has finite useful life and is amortised on a straight line basis over 10 years.

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19. GOODWILL

	2014 **RMB'000**	2013 RMB'000
At cost, arising on acquisition of subsidiaries *(note 32)*	**41,773**	–

During the year, the Group acquired 60% of the issued share capital of Jiang Mei Limited ("Jiang Mei), a company incorporated in BVI. Trigiant Optic-Electric is the subsidiary of Jiang Mei and is engaged in the manufacture and sales of optical fibre cable and related products business (including cables series, electronic components and equipment for communication uses) (details of the acquisition are set out in note 32). The goodwill is allocated to the respective cash generating unit ("CGU").

At 31 December 2014, the directors of the Company conducted a review of the carrying value of goodwill and determine that there is no impairment of the CGU containing that goodwill. The recoverable amount of this CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a period of 5 year period and discount rate of 16.46%. The CGU's cash flows beyond the 5 year period are extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount of this CGU.

20. AVAILABLE-FOR-SALE INVESTMENTS

	2014 **RMB'000**	2013 RMB'000
Unlisted equity investment, at cost		
Name of investee		
Trigiant Optic-Electric	**–**	14,000
江蘇俊知傳感技術有限公司(Jiangsu Trigiant Sensing Technology Co., Ltd.) ("Trigiant Sensing")	**6,375**	6,000
	6,375	20,000

At 31 December 2014, the above unlisted equity investments represent 12.5% equity interest in one (2013: two) private entity established in the PRC. Trigiant Sensing is principally engaged in the research, development, manufacture and sales of RF identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronic devices, sensor and micro smart label products. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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20. AVAILABLE-FOR-SALE INVESTMENTS (continued)

During the year ended 31 December 2014, the Group acquired 60% interest in the holding company of Trigiant Optic-Electric (details as set out in note 32). As a result, Trigiant Optic-Electric became a non-wholly owned subsidiary of the Group and the Group derecognised the related investment cost upon the acquisition. The difference between the carrying value of the investment and the fair value of the interest in Trigiant Optic-Electric of approximately RMB23,769,000 was recognised in profit or loss as gain recognised on deemed disposal of an available-for-sale investment during the year.

21. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Raw materials	**34,584**	20,790
Work in progress	**33,345**	18,546
Finished goods	**86,996**	83,509
	154,925	122,845

22. TRADE AND OTHER RECEIVABLES

	2014 **RMB'000**	2013 RMB'000
Trade receivables	**2,400,312**	1,592,501
Bills receivables	**13,514**	28,096
	2,413,826	1,620,597
Current portion of land use rights *(note 17)*	**1,723**	1,696
Interest receivables	**5,208**	876
Other receivables	**6,158**	3,082
Prepaid expenses	**1,273**	1,173
Staff advances	**3,046**	5,658
	2,431,234	1,633,082

The Group normally allows a credit period ranging from 180 to 360 days to its customers.

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22. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of the trade and bill receivables presented based on the invoice date, or otherwise, delivery date, at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014	2013
	RMB'000	RMB'000
Age		
0—90 days	**900,991**	644,508
91—180 days	**616,164**	691,201
181—365 days	**888,833**	271,620
Over 365 days	**7,838**	13,268
	2,413,826	1,620,597

Included in trade and bills receivables balance are amounts of RMB746,354,000 (2013: RMB625,463,000) which goods were delivered but invoices not yet issued.

At 31 December 2014, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB757,762,000 (2013: RMB211,427,000), which are past due at end of the reporting period for which the Group has not provided for impairment loss. Based on the historical experiences, trade receivables that are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balance.

The following is an aging analysis of trade receivables which are past due but not impaired:

	2014	2013
	RMB'000	RMB'000
Age		
181–365 days	**749,924**	198,159
Over 365 days	**7,838**	13,268
	757,762	211,427

Included in trade and other receivables are following amounts denominated in currency other than functional currency of the group entity which it relates:

	2014	2013
	RMB'000	RMB'000
United States Dollars	**3,862**	1,784

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23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At 31 December 2014, bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging from 0.01% to 2.80% (2013: 0.01% to 2.80%) per annum.

At 31 December 2014, the pledged bank deposits carry interest at the prevailing market rate ranging from approximately 2.8% to 3.5% (2013: 2.8% to 3.5%) per annum.

The entire pledged bank deposits represent deposits pledged to banks to secure bank borrowings, bills payables and letters of credit issued by the Group for both years.

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

	2014 **RMB'000**	2013 RMB'000
Hong Kong Dollars	**4,082**	23,617
United States Dollars	**89,246**	28,236

24. TRADE AND OTHER PAYABLES

	2014 **RMB'000**	2013 RMB'000
Trade payables	**112,782**	112,897
Bills payables	**190,000**	120,000
	302,782	232,897
Accrued expenses	**17,600**	11,354
Deposits from suppliers	**10,824**	8,340
Other payables	**6,113**	5,144
Other tax payables	**9,923**	3,074
Payable for acquisition of property, plant and equipment	**4,075**	648
Payroll and welfare payables	**14,868**	11,712
	366,185	273,169

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24. 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 bill payables presented based on the invoice date at the end of the reporting period:

	2014	2013
	RMB'000	RMB'000
Age		
0—90 days	**180,266**	219,288
91—180 days	**119,094**	11,242
181—365 days	**3,419**	–
Over 365 days	**3**	2,367
	302,782	232,897

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

	2014	2013
	RMB'000	RMB'000
Hong Kong Dollars	**420**	422

25. AMOUNT DUE TO A RELATED PARTY

The balance represents an amount due to Mr. Zhu Xujun, a director of a subsidiary of the Company. The amount is non-trade in nature and represents advance from Mr. Zhu Xujun for the purpose of daily operation of that subsidiary. The amount is unsecured, non-interest bearing and repayable on demand.

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For the year ended 31 December 2014

26. BANK BORROWINGS

	2014	2013
	RMB'000	RMB'000
Secured *(note)*	**40,000**	140,000
Unsecured	**1,332,722**	675,828
	1,372,722	815,828
The bank borrowings are payable as follows:		
Within one year	**1,372,722**	735,828
More than one year, but not exceeding two years	**–**	80,000
	1,372,722	815,828
Less: Amounts due within one year shown under current liabilities	**(1,372,722)**	(735,828)
	–	80,000
The bank borrowings comprise:		
Variable rate borrowings	**914,722**	510,828
Fixed rate borrowings	**458,000**	305,000

Note: The bank borrowings were secured by certain land use rights and bank balances owned by the Group as set out in notes 17 and 23, respectively.

Included in bank borrowings are following amounts denominated in currency other than functional currency of the group entities which it relates:

	2014	2013
	RMB'000	RMB'000
Hong Kong Dollars	**51,277**	–
United States Dollars	**478,445**	240,828

As at 31 December 2014, fixed rate bank borrowings carried interests ranging from 4.40% to 6.30% (2013: 4.22% to 6.60%) per annum.

As at 31 December 2014, variable-rate RMB denominated bank borrowings carried interests ranging from 95% of PBOC rate to 110% of PBOC rate (2013: 100% of PBOC rate to 110% of PBOC rate) per annum.

As at 31 December 2014, variable-rate United States Dollars denominated bank borrowings carried interests ranging from LIBOR plus 2.00% to LIBOR plus 2.70% (2013: LIBOR plus 1.80% to LIBOR plus 2.30%) per annum.

As at 31 December 2014, variable-rate Hong Kong Dollars denominated bank borrowings carried interests of HIBOR plus 1.85% (2013: nil) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

27. GOVERNMENT GRANTS

	2014 RMB'000	2013 RMB'000
At beginning of the year	**1,752**	2,092
Release to profit or loss for the year	**(339)**	(340)
At the end of the year	**1,413**	1,752

Government grants represent government subsidies received by the Group in relation to the acquisition of property, plant and equipment in prior years. The amounts have been treated as deferred income and were transferred to income over the useful lives of the relevant assets.

28. DEFERRED TAXATION

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

	Intangible asset RMB'000	Fair value adjustment on acquisition RMB'000	Tax on undistributed earnings RMB'000	Revaluation of properties RMB'000	Total RMB'000
At 1 January 2013	–	8,874	11,862	483	21,219
Charge to other comprehensive income	–	–	–	876	876
(Credited) charged to profit or loss for the year	–	(180)	5,605	450	5,875
Withholding tax paid	–	–	(5,032)	–	(5,032)
At 31 December 2013	–	8,694	12,435	1,809	22,938
Acquisition of subsidiaries *(Note 32)*	30,252	–	–	–	30,252
(Credited) charged to profit or loss for the year	–	(179)	5,422	225	5,468
Withholding tax paid	–	–	(10,000)	–	(10,000)
At 31 December 2014	**30,252**	**8,515**	**7,857**	**2,034**	**48,658**

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax 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. Deferred tax liability on the undistributed earnings of the PRC subsidiaries earned during the year have been accrued at the tax rate of 10% (2013: 10%) on the expected dividend stream of the undistributed earnings of the PRC subsidiaries for each year which is determined by the directors of the Company.

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29. WARRANTS

	Number of underlying shares upon exercise of Warrants	Exercise price HK$
Issued during the year and balance at 31 December 2014	**200,000,000**	**3.15**
Exercisable at 31 December 2014	**200,000,000**	**3.15**

On 10 April 2014, the Company issued unlisted warrants ("Warrant(s)") at an issue price of HK$0.01 per unit of Warrant (approximately RMB0.008 each) entitling the holders thereof to subscribe in cash for up to an aggregate amount of HK$630,000,000 for new shares of the Company ("Warrant Shares") upon the exercise of the subscription rights attached to the Warrants at a subscription price of HK$3.15 per Warrant Share (subject to adjustments) at any time for the period commencing from the date of issue of the Warrants (i.e. 10 April 2014) and ending on the third anniversary thereof (or if that is not a business day, the first business day immediately following such date (both days inclusive)). Based on the initial subscription price of HK$3.15 per Warrant Share, upon the exercise of the subscription rights attached to the Warrants in full, 200,000,000 Warrant Shares will be issued.

The ascribed values of the Warrants at the issue date and at the end of the reporting period were determined using binomial option pricing model and the inputs used are as follows:

	Date of issue 10 April 2014	31 December 2014
Share price	**HK$2.28**	**HK$1.29**
Exercise price	**HK$3.15**	**HK$3.15**
Risk rate	**0.77%**	**0.69%**
Dividend yield	**6.14%**	**6.63%**
Volatility	**54.98%**	**63.13%**
Remaining life	**3 years**	**2.28 years**

The movement of the carrying amount of warrants during the year is set out below.

	RMB'000
Issued during the year	**1,587**
Change in fair value	**18,317**
Exchange realignment	**22**
At 31 December 2014	**19,926**

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29. WARRANTS (continued)

At 31 December 2014, the fair value of the Warrants outstanding was HK$25,259,000 (approximately RMB19,926,000). A fair value change of RMB18,317,000 is recognised in the current year and the amount has been charged to profit or loss. None of the Warrants have been exercised during the current year. Issuance expense of HK$300,000 (approximately RMB238,000) representing the placing agent fee was charged to profit or loss.

30. SHARE CAPITAL

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2013, 31 December 2013 and 31 December 2014	**10,000,000,000**	**100,000,000**	
Issued and fully paid:			
At 1 January 2013	1,000,000,000	10,000,000	8,140
Issue of shares *(note a)*	115,000,000	1,150,000	911
At 31 December 2013	1,115,000,000	11,150,000	9,051
Issue of shares *(note b)*	200,000,000	2,000,000	1,578
At 31 December 2014	**1,315,000,000**	**13,150,000**	**10,629**

The movements in the Company's authorised and issued share capital during both years are as follows:

(a) On 8 October 2013, the Company entered into a subscription agreement with Trigiant Investments to allot and issue 115,000,000 ordinary shares of HK$0.01 each (the "Subscription Shares") at a subscription price of HK$3.15 per share. The subscription agreement is conditional upon completion of the placing of 115,000,000 ordinary shares of HK$0.01 each of the Company made by the placing agent on behalf of Trigiant Investments. On 17 October 2013, following the completion of the placing, the Subscription Shares were issued under the general mandate granted to the directors of the Company on 27 May 2013.

(b) On 30 December 2014, the Group acquired 60% of the issued share capital of Jiang Mei and the consideration is fully settled by the issue of 200,000,000 ordinary shares of the Company with par value of HK$0.01 each (details as set out in note 32).

All ordinary shares of the Company issued during the year rank pari passu with the then existing ordinary shares in all respects.

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31. SHARE OPTIONS

Share option scheme of the Company

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 27 May 2014, the Company adopted a share option scheme (the "Scheme").

Under the Scheme which is valid for a period of ten years commencing on 29 May 2014, the board of directors of the Company may, at its discretion, grant options to subscribe for shares in the Company to eligible participants ("Eligible Participants") who contribute to the long term growth and profitability of the Company. The Eligible Participants include (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; (b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, in order to provide incentives or rewards for the Eligible Participants' contribution to the Group.

The subscription price for the Company's shares shall be a price at least equal to the highest of the nominal value of the Company's shares, the average of the closing prices of the Company's shares quoted on the Stock Exchange on the five trading days immediately preceding the date of an offer of the grant of the options and the closing price of the Company's shares quoted on the Stock Exchange on the date of an offer of the grant of the options. The options must be taken up within 21 business days from the date of grant upon payment of HK$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of adoption of the Scheme.

The initial total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group (excluding options lapsed in accordance with the terms of the Scheme and any other schemes of the Group) must not in aggregate exceed 10% of the Company's shares in issue as at the date of adoption of the Scheme. The maximum number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Group must not exceed 30% of the Company's shares in issue from time to time. The total number of the Company's shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) under the Scheme or other schemes of the Group in any 12-month period up to the date of grant must not exceed 1% of the Company's shares in issue at the date of grant unless approved by the Company's shareholders in general meeting.

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31. SHARE OPTIONS (continued)

Share option scheme of the Company (continued)

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and remained outstanding as at 31 December 2014. The closing price of the shares of the Company immediately before the date of grant of share options was HK$2.0. The fair value of the share options was approximately HK$33,019,000 (approximately RMB26,085,000) which is calculated using Black-Scholes Pricing Model based on risk free rate of 0.742% to 1.724%, expected volatility of 53.663%, expected life of 3 to 7 years and expected dividend rate of 7.0%. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The Group recognised a share-based payment expense of approximately RMB5,663,000 during the year ended 31 December 2014. In respect of each grantee, the share options shall vest in five equal tranches over five years commencing from the date falling on first anniversary of 4 July 2014, being the date of acceptance, as to 20% of the share options for the first tranche (4 July 2015) and 20% of the share options on each of the following four tranches (that is, 4 July 2016, 2017, 2018 and 2019 respectively), subject to the relevant grantee remaining as an eligible person under the Scheme at the time of each vesting of the share options, and the share options vested are exercisable during a two years period commencing from the date of vesting of the relevant share options.

As at 31 December 2014, no shares were issuable under the Scheme (31 December 2013: Nil).

A summary of the movements of the number of share options under the Scheme for the year is as follows:

Date of grant	Granted during the year and balance at 31 December 2014	Exercise price	Exercisable period
Granted to directors on			
20 June 2014	720,000	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	720,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	720,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	720,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	3,600,000		
Granted to employees on			
20 June 2014	14,160,000	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	14,160,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	14,160,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	14,160,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	14,160,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	70,800,000		
Total	74,400,000		

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For the year ended 31 December 2014

32. ACQUISITION OF SUBSIDIARIES

On 30 December 2014, the Group acquired 60% of the issued share capital of Jiang Mei. The acquisition has been accounted for using the acquisition method. Jiang Mei and its subsidiaries are principally engaged in manufacture and sales of optical fibre cable series and related products (including cable series and electronic components for communication uses). Details of the acquisition are set out in the Company's announcement dated 12 December 2014.

At the date of completion of the acquisition, 200,000,000 ordinary shares of the Company with par value of HK$0.01 each were issued as consideration for the acquisition. The fair value of the consideration for acquisition is approximately RMB200,373,000 (equivalent to HK$254,000,000) and the amount of goodwill arising as a result of the acquisition was approximately RMB41,773,000. The fair value of each ordinary share of the Company of HK$1.27 is determined using the quoted closing price of the Company's share at the date of completion of the acquisition.

	RMB'000
Consideration	
Consideration transferred, satisfied by issue of shares	**200,373**

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

	RMB'000
Property, plant and equipment	**36,743**
Intangible asset	**121,005**
Inventories	**40,962**
Trade receivables	**178,379**
Amount due from Trigiant Technology	**44,736**
Other receivables	**3,843**
Bank balances and cash	**110,398**
Trade payables	**(50,914)**
Other payables	**(13,058)**
Amount due to a related party	**(39,739)**
Bank borrowings	**(100,000)**
Deferred taxation	**(30,252)**
	302,103

	RMB'000
Goodwill arising on acquisition:	
Consideration transferred	**200,373**
Fair value of equity interest in an available-for-sale investment held before the business combination *(note 20)*	**37,769**
Plus: Non-controlling interests	**105,734**
Less: Fair value of identifiable net assets acquired	**(302,103)**
Goodwill arising on acquisition	**41,773**

Notes to the Consolidated Financial Statements

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32. ACQUISITION OF SUBSIDIARIES (continued)

The non-controlling interests recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets and amounted to approximately RMB105,734,000.

Goodwill arose in the acquisition of Jiang Mei principally because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Jiang Mei and its subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

	RMB'000
Cash inflow on acquisition of Jiang Mei:	
Bank balances and cash acquired	110,398

Had the acquisition been completed on 1 January 2014, the Group's total revenue for the year would have been RMB3,223,215,000, and profit for the year would have been RMB405,757,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

33. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2014 RMB'000	2013 RMB'000
Within one year	603	578
In the second to fifth years inclusive	–	127
	603	705

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

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33. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

Property rental income earned during the current year was RMB1,519,000 (2013: RMB1,387,000). The Group's properties are expected to generate rental yield of 4.0% on an ongoing basis. All of the properties held have a committed tenant, Trigiant Sensing, for the next two years (2013: two years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 **RMB'000**	2013 RMB'000
Within one year	**400**	1,519
In the second to fifth years inclusive	**67**	1,772
	467	3,291

34. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in the respective notes, the Group has no other significant transactions and balances with related parties.

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

35. RETIREMENT BENEFITS SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a certain percentage of its 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 scheme.

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme 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 per month for each employee.

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36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014	2013
	RMB'000	RMB'000
Non-current assets		
Investment in a subsidiary	**639,760**	439,387
Loan to a subsidiary *(note a)*	**82,990**	82,990
	722,750	522,377
Current assets		
Other receivables	**97**	97
Amount due from a subsidiary *(note b)*	**293,106**	107,614
Bank balances	**3,501**	15,975
	296,704	123,686
Current liabilities		
Other payables	**2,050**	1,879
Bank borrowings — due within one year	**112,406**	–
	114,456	1,879
Net current assets	**182,248**	121,807
Total assets less current liabilities	**904,998**	644,184
Non-current liability		
Warrants	**19,926**	–
Net assets	**885,072**	644,184
Capital and reserves		
Share capital	**10,629**	9,051
Reserves *(note 37)*	**874,443**	635,133
Total equity	**885,072**	644,184

Notes:

(a) The amount represents loan to a subsidiary of the Company. The amount is unsecured, non-interest bearing and in the opinion of the directors of the Company, the amount is expected to repay over one year, therefore it is classified as non-current asset.

(b) The amount from a subsidiary is unsecured, non-interest bearing and expected to be recovered within one year.

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37. RESERVES OF THE COMPANY

	Share premium RMB'000	**Share option reserve** RMB'000	**Accumulated profits (loss)** RMB'000	**Total** RMB'000
At 1 January 2013	363,245	–	41,236	404,481
Profit and total comprehensive income for the year	–	–	48,273	48,273
Issue of shares *(note 30)*	286,063	–	–	286,063
Expenses incurred in connection with the issue of shares	(7,801)	–	–	(7,801)
Dividends recognised as distribution *(note 13)*	–	–	(95,883)	(95,883)
At 31 December 2013	641,507	–	(6,374)	635,133
Profit and total comprehensive income for the year	–	–	157,913	157,913
Issue of shares *(note 30)*	198,795	–	–	198,795
Expenses incurred in connection with the issue of shares	(127)	–	–	(127)
Recognition of equity-settled share based payment *(note 31)*	–	5,663	–	5,663
Dividends recognised as distribution *(note 13)*	–	–	(122,934)	(122,934)
At 31 December 2014	**840,175**	**5,663**	**28,605**	**874,443**

In August 2013, the Company distributed the interim dividend of 2013 of HK$70,000,000 (approximately RMB56,053,000) and the accumulated profits of the Company immediately before the distribution was in excess of the amount of such dividend amount.

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38. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Issue and fully paid share capital/registered capital		Attributable equity interest of the Company		Principal activities
		2014	2013	**2014**	2013	
Trigiant Holdings Limited	BVI	**US$1,000**	US$1,000	**100%**	100%	Investment holding
Trigiant (HK) Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
Trigiant Technology*	PRC	**US$70,000,000**	US$70,000,000	**100%**	100%	Manufacture and sales of RF cable series and related products for mobile telecommunications and telecommunication equipment
Trigiant Optic-Electric#	PRC	**RMB112,000,000**	RMB112,000,000	**65%**	12.5%	Manufacturing and sale of optical fibre cables and related products (including cable series and electronics components) for communication uses
Jiang Mei	BVI	**US$280**	US$100	**60%**	–	Investment holding
China Information Communication Group Limited	Hong Kong	**HK$1**	HK$1	**60%**	–	Investment holding

* Trigiant Technology is a wholly foreign owned enterprise established in the PRC.

Trigiant Optic-Electric is a limited liability company established in the PRC.

None of the subsidiaries had issued any debt securities at the end of both years.

Financial Summary

Results (Note)	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Turnover	1,405,039	1,822,747	2,230,555	2,458,000	**2,658,093**
Cost of goods sold	(1,116,350)	(1,425,436)	(1,708,730)	(1,893,033)	**(2,065,226)**
Gross profit	288,689	397,311	521,825	564,967	**592,867**
Other income	4,880	7,512	12,843	8,297	**14,869**
Other gains and losses	7,229	6,561	828	2,078	**1,230**
Selling and distribution costs	(37,089)	(47,999)	(72,790)	(63,764)	**(52,258)**
Administrative expenses	(41,514)	(45,296)	(52,114)	(52,693)	**(47,224)**
Research and development costs	(867)	(1,075)	(14,344)	(23,745)	**(26,709)**
Other expenses	(2,605)	(12,867)	(13,275)	–	**–**
Fair value change of warrants	–	–	–	–	**(18,317)**
Gain recognised on deemed disposal of an available-for-sale investment	–	–	–	–	**23,769**
Finance costs	(39,386)	(57,440)	(79,918)	(55,019)	**(46,538)**
Profit before taxation	179,337	246,707	303,055	380,121	**441,689**
Taxation	(28,225)	(39,922)	(50,757)	(66,551)	**(72,620)**
Profit for the year	151,112	206,785	252,298	313,570	**369,069**

Assets and liabilities (Note)	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014 RMB'000**
Non-current assets	302,269	291,953	291,213	308,479	**516,229**
Current assets	1,270,715	1,908,381	2,030,274	2,325,913	**3,428,216**
Total assets	1,572,984	2,200,334	2,321,487	2,634,392	**3,944,445**
Current liabilities	1,186,938	1,455,973	1,203,418	1,025,458	**1,812,426**
Non-current liabilities	171,209	130,830	113,311	104,690	**69,997**
Total liabilities	1,358,147	1,586,803	1,316,729	1,130,148	**1,882,423**
Net assets	214,837	613,531	1,004,758	1,504,244	**2,062,022**

Note: Pursuant to the group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the Group on 23 August 2011. For details of the group reorganisation, please refer to Appendix V to the Company's prospectus dated 6 March 2012. The consolidated results and assets and liabilities for years 2010 and 2011 had been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout those periods.