江南集團有限公司

Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1366

2015
ANNUAL REPORT

Group's

Philosophy

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

Contents

MILESTONES

1997

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

2000

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

2004

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

2005

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

2006

Nuclear power plant cables passed the inspection test

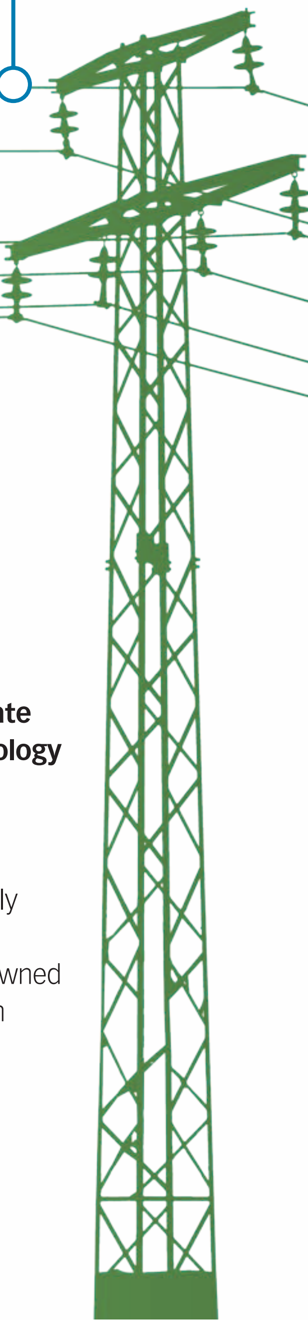
2007

Accredited as **State Key High Technology Enterprise**

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

2008

Obtained **National Laboratory Accreditation Certificate**



MILESTONES

2009

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

2010

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

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

2011

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

Secured a key account in Singapore

2012

Listed on the Main Board of the HKEx

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

Established production lines in South Africa

2013

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

Commenced **commercial production** of wires & cables in **South Africa**

2014

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

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

2015

Acquired 100% interest of two **power cable** manufacturers in China

Established a joint venture company with HC International Inc. for setting up **a e-commerce platform for cable industry**

CORPORATE PROFILE

One of the **LARGEST SUPPLIERS** of electric wires and cables in **CHINA**

Jiangnan Group Limited ("Jiangnan Group" or the "Company", together with its subsidiaries, the "Group") is one of the largest manufacturers of wires and cables for power transmission, distribution systems and electrical equipment in the People's Republic of China ("China" or "PRC"). The Group's products are widely used in power industry (including grid, power plant and renewable energy) and general industries (including metals and mining, oil and gas, transportation, shipbuilding, construction and others).

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

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

The Group has strong research and development capabilities. The Group has established a research workstation and a state postdoctoral research workstation jointly with the academician of the China Academy of Engineering and China Academy of Science. The Group has also participated in the drafting and formulating of 43 national industry standards for the manufacturing processes for power cables, wires and cables for electrical equipment and bare wires. One of the standards which the Group participated in was the standard for the rated voltage

CORPORATE PROFILE

0.6/1kV rubber insulation and sheathing wind power with twist-resistant flexible cables. This was the first standard for wind power cables in China. The Group has 302 patents that are material to the Group's business in the PRC. Jiangnan Group's subsidiaries in China, namely, Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) ("Wuxi Jiangnan Cable") and Jiangsu Zhongmei Cable Group Co., Ltd. (江蘇中煤電纜有限公司) ("Zhongmei Cable"), are endorsed as High and New Technology Enterprises again by Yixing Provincial Commission of Science and Technology and entitled to a reduced PRC income tax rate of 15% until next renewal in 2018 and 2017 respectively. The Group's high-tech products include extra-high voltage ("EHV") cables, ultra-high voltage ("UHV") aluminum alloy bare wires, photovoltaic solar cables, cables used for wind power, optical fiber composite cable, aluminum-alloy cables, ships PWM pulse width modulation inverter power supply cable and flexible fire resistant cables.

With the Group's high quality products, the Group's renowned brand and good reputation, strong research and development capabilities, as well as manufacturing and production capabilities, the Group has maintained a solid and wide customer base including certain industry leaders in their respective industry. The Group has provided products for many prominent infrastructure projects, such as the Gezhouba hydro-electric power, the west to east gas pipelines, the National Olympic Sports Centre & 6 other stadiums for the 2008 Beijing Olympic Games, the Performance Center for the 2010 Shanghai World Expo, the Shanghai World Financial Center, the Beijing Capital International Airport, the Nanjing Lukou International Airport, the Shenzhen International Airport, the Power Transmission from West to East Project (the first ±800kV direct current ("DC") transmission system from Yunnan to Guangdong), the ±800kV UHV DC transmission line from Xiluodu to Jinhua, the Gezhouba hydro-electric power, the No.5 line of the Shenzhen Metro Project, the No. 7 line of the Shanghai Metro Project, the No. 8 line of the Beijing Metro Project, the Ningtian Intercity Line Phase 1, the high speed railways from Fuzhou to Xiamen, and the 2014 Youth Olympic in Nanjing. The Group is capable of producing cables for use in extremely low temperature environments in the polar regions, which has been recognised as a Dedicated Product for China North & South Pole Research by the China Polar Region Research Center.

The Group's products have been exported to more than 50 countries. In particular, the Group is a qualified supplier of Eskom Holding Limited ("Eskom"), which is a state-owned power generation and transmission company in South Africa, a fast growing market for power cables. The Group began to supply its products to Eskom in 2007 and the Group is a South Africa Bureau of Standard (SABS) certified manufacturer of wires and cables in the PRC that is allowed to supply power wire and cable products to South Africa. The Group also exports its products to reputable customers overseas, such as Power Works Pte Limited ("Power Works") in Singapore, National Power Transmission Corporation in Vietnam and the National Grid of UK.

CORPORATE INFORMATION

Executive Directors

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

Independent Non-Executive Directors

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

Authorized Representatives

Chan Man Kiu
Xia Yafang

Company Secretary

Chan Man Kiu, *CPA, FCCA*

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Ltd.
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Place of Business in China

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

Independent Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Legal Advisors

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

Stock Code

1366

Website

www.jiangnangroup.com

Corporate Calendar

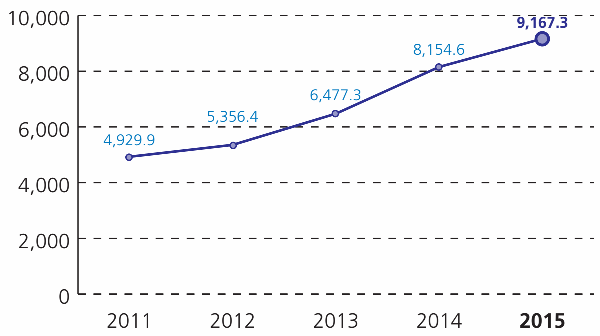
Annual General Meeting	20 May 2016

FINANCIAL HIGHLIGHTS

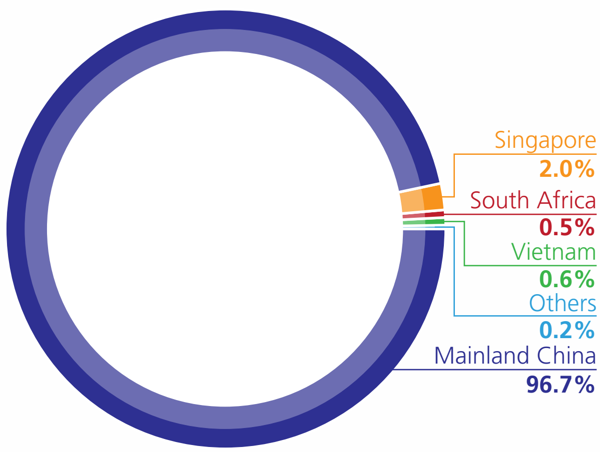
	Year ended 31 December				
	2011	2012	2013	2014	**2015**
RESULTS (RMB'000)					
Group Turnover	4,929,876	5,356,363	6,477,302	8,154,555	**9,167,273**
Profit for the year attributable to owners of the Company	317,445	376,120	503,523	626,016	**703,261**
ASSETS AND LIABILITIES (RMB'000)					
Non-current assets	411,993	559,597	896,492	869,518	**1,234,175**
Current assets	3,773,360	4,727,050	6,660,794	7,847,989	**10,885,090**
Current liabilities	2,977,837	3,373,271	5,203,378	5,414,785	**7,146,023**
Non-current liabilities	25,505	32,579	68,252	72,856	**77,317**
FINANCIAL RATIOS					
Net margin (%)	6.4%	7.0%	7.8%	7.7%	**7.7%**
Current ratio (times)	1.27	1.40	1.28	1.45	**1.52**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	16.3	16.3	20.4	24.8	**22.4**
Net assets (HK$)	0.61	0.81	0.93	1.20	**1.43**

Total Revenue

(RMB million)



Geographical Combination



CEO's Statement

CEO'S STATEMENT

Dear shareholders,

I am pleased to present the annual results of Jiangnan Group Limited (the "Company", together with its subsidiaries, "Jiangnan" or the "Group") for the year ended 31 December 2015 (the "Year") to our shareholders.

In 2015, downward pressure was mounting in the backdrop of decelerating growth of the global economy. According to the statistics from the National Bureau of Statistics, the PRC's growth rate of the gross domestic product ("GDP") was 6.9% in 2015, the lowest in 25 years and the first sub-7% GDP growth since 1990. The industrial and manufacturing sector was severely hit by the economic slump and demands of raw materials were decreasing. Copper, as an important industrial raw material, witnessed the lowest price in six-and-a-half years. The average LME copper price decreased by approximately 19.9% from approximately US$6,859.0 per tonne in 2014 to approximately US$5,494.5 per tonne in 2015. Both factors had directly influenced the business performance of power cable manufacturers for the year under review.

Leveraging the market development to achieve greater results

Despite unfavourable macro-economic environment, the construction of power grids, an infrastructure for industrial, economic and social development, remained a key investment in the PRC. In 2015, investment by State Grid Corporation of China ("SGCC") in terms of grid construction amounted to RMB452.1 billion, representing a year-on-year growth of 17.1%. Rural power grids in the PRC have been plagued by issues such as deterioration and unstable electric supply. Renovation and upgrade for rural grids and extensive improvement in power cables are essential to improve electricity supply in rural grids. The sales volume for power cables, our principal products, received a significant boost and increased by 90.9% to 200,720 km. Driven by the demand for ultra-high voltage (UHV) wires, the sales volume for bare wires also increased by 17.7% year-on-year to 40,973 tonnes. The hike in sales volume was a testament to the leading position of the Group in the power cable industry. The Group enjoys substantial market advantage and may directly benefit from market expansion. However, the Group adopts cost-plus model for the pricing of its wires and cables. The average product price was materially affected by the drop of copper price so the increase in product sales volume did not entirely translate into an increase in turnover. Overall turnover for the year amounted to RMB9,167.3 million, representing a year-on-year growth of 12.4%. Profit attributable to the owners of the Company amounted to RMB703.3 million, representing a year-on-year growth of 12.3%. Profit margin of the Group in 2015 remained stable at 7.7%. Basic earnings per share as at 31 December 2015 was RMB18.76 cents.

Based on the steady development of the Group under such a sluggish global economic picture, we would like to share our achievements with our shareholders. In recognition of the shareholders' unceasing support to Jiangnan, the board of directors of the Company (the "Board") recommended the payment of an dividend of HK3.1 cents per share for the year ended 31 December 2015 (2014: HK3.7 cents).

Adapt to market trends to boost competency

The significant drop of copper price posed enormous price pressure on cable manufacturers, especially small and medium ones, and escalated industry consolidation. In anticipation of a wave of industry consolidation, the Group will focus on opportunities for merger and acquisition, broaden its product portfolio and enhance its product technical competency, so as to capture more market share and explore the overseas market. On 29 April 2015, the Group acquired 100% interest in each of New Sun Investments Limited ("New Sun") and Kai Da Investments Limited ("Kai Da") at the considerations of approximately RMB383 million and approximately RMB370 million respectively. Through these acquisitions, the Group's existing production capacities for wires and cables were enhanced. New products were added to our portfolio to further broaden our source of income, our customer base and our market share in the power grid market, thus strengthening the Group's leading position as a manufacturer-cum-supplier of composite wires and cables.

CEO'S STATEMENT

"Internet+" facilitates the integration of the Internet and every industry. In view of such emerging trend, the Company entered into a memorandum of understanding with HC International, Inc. on 17 October 2015 and established a joint venture with HC International, Inc. in December 2015, through which the Group will lead the construction of a reliable "Internet + Cable" online trading platform for wire and cable manufacturers and combine both the advantages of online and offline channels for the promotion of wire and cable industry. The Group is a qualified product examination provider for cable manufacturers, which helps assure product quality in an online transaction. We will endeavour to maintain the transparency of the trading platform and boost the inventory turnover rate of every enterprise, which will create new marketing channels and extra sources of service income.

Other than expanding product portfolio, boosting production capacity and enhancing cooperation with external parties, we are also keen on establishing new roles in the industry chain for the Group. On 8 December 2015, the Group entered into a strategic cooperation agreement with China Gezhouba Group International Engineering Co., Ltd. (中國葛洲壩集團國際工程有限公司) ("Gezhouba Engineering"), pursuant to which, products of the Group will be used in the international projects of Gezhouba Engineering, while Gezhouba Engineering will participate in the international projects of the Group. On a resource sharing basis, both parties will expand their sales volume in South East Asia and Africa markets through comprehensive contracting of cable sales and engineering, procurement and construction ("EPC") projects. Through the strategic cooperation, we may enhance our depth in downstream of the industry chain and generate further income from overseas.

Outlook and Plan

Looking forward, we expect further reform measures will be introduced to various industries and increased investments will be directed towards infrastructure development by the PRC government in its effort to boost and revive its economic growth. Policies had been promulgated by the PRC authority to expand and expedite the transformation and upgrade of power grids. In short, we believe there remains opportunities in the power cables market.

The National Energy Administration of China had published the Action Plan of Distribution Network Construction and Upgrade (2015–2020), setting out its blueprint on expedition of national power distribution network upgrade and how this would support the social and economic development. The SGCC's investments in distribution network construction and upgrade from 2015 to 2020 should be not lower than RMB2 trillion. During the "13th Five-Year-Plan" period, accumulated investments by SGCC should also be not lower than RMB 1.7 trillion. It is expected that by 2020, the total wire length in high-voltage distribution network will be 1.01 million km. The executive meeting of the State Council of China has also resolved to embark on a new round of rural power grids upgrades to alleviate the problems of low-rated voltage power and insufficient electrical power generation in rural power grids. Expected SGCC's investments will be over RMB700 billion in total and it targets to realise basic full coverage of electrical power over the entire rural area by 2020. Such investments will directly add demand to power cables market and the Group's products could be benefited from this development with its excellent quality.

The "13th Five-Year-Plan" period has formally commenced, where substantial capital expenditure shall continue to be allocated to railway construction, providing impetus to the growth in wire and cable market of the PRC. During the "12th Five-Year-Plan" period, a total of RMB3.58 trillion of railway fixed assets investment had been completed, with new routes being put into operation reaching 30,500 km. Market participants generally foresee that railway construction and development will keep pace during the "13th Five-Year-Plan", with newly constructed railways to reach approximately 30,000 km and total investment of no less than RMB3.5 trillion. This has not taken into account construction of rail transits in various cities, which is expected to grow to more than 6,000 km in total. There will be substantial demand in power cables for electrical power transmission and distribution in railway construction projects. Hence we should see the demand for power cables to remain stable.

CEO'S STATEMENT

With the unevenly distributed electrical power network and severe air pollution problem in China, the development and construction of UHV grids is becoming increasingly important and urgent. According to SGCC, it will expedite the process of formulation and pronouncement of the planning for the second group in the "5 alternating current ("AC") and 8 DC UHV transmission lines" projects (五交八直) this year, with 3 AC and 3 DC (三交三直) UHV transmission lines to be granted within the first half of this year, and another 2 AC and 4 DC (兩交四直) UHV transmission lines to be granted in the second half of the year. According to the information from SGCC, the National Energy Administration has drawn up a long term plan on China's power grid development known as "five vertical and five horizontal transmission lines" (五縱五橫). Under the plan, it is expected that SGCC will have planned and constructed a total of 27 UHV lines by 2020. The purpose for this project is to achieve the transmission of power from the western part and other regions which are rich in power supply of China to the eastern, central and southern part of China in more efficient and proper manner and to mitigate the air pollution problem. With its application in long distance power transmission along overhead lines, the bare wire market should be able to benefit from the extensive construction of UHV grids.

The above national policies emphasise the role of power cables and bare wires in various kinds of construction. China domestic subsidiaries of the Company have established years of cooperation with SGCC and China Southern Power Grid Company Limited ("CSG"), two power grid heavyweights in the PRC. In particular, Wuxi Jiangnan Cable is one of the few qualified suppliers of EHV power cables and UHV wires to the two power grid corporations. Thanks to the Group's outstanding products, the Group will directly benefit from the construction of power grids. In the coming year, we will allocate more resources to EHV power cable. A new vertical production line trial installation will be completed in April 2016 and operation is expected to commence in the second half of 2016. Wuxi Jiangnan Cable has also started building its own plants with photovoltaic power generation systems to replace its existing daytime electricity supply and reduce operation costs. It also serves as experience for the Group's future photovoltaic power generation EPC projects.

The Group captures both domestic opportunities from infrastructure in the PRC and foreign prospects from "One Belt, One Road". Most countries covered by "One Belt, One Road" are still developing and undergoing rapid industrialisation and urbanisation, and they are suffering from significant amount of electric power losses in transmission. Substantial investments and advanced technology are required to develop electric power infrastructure and cross-border electric transmission channels. Demands for new power grids and their upgrade and renovation form an robust need of cables. New regional institutions, such as the Asian Infrastructure Investment Bank ("AIIB") and New Silk Road Fund ("NSRF"), are also designed in part to complement and support the Belt and Road's development. The Group, being one with the most comprehensive licenses and accreditations to export cables, will certainly benefit from these national strategies. The Group has been adopting a pro-active approach and encouraging salespersons going overseas and setting up offices or shops. The Group also has years of overseas operation experience in the South African market. Looking forward, cooperation between domestic and foreign enterprises will be strengthened to reach a win-win situation and aggressive expansion of the proportion of foreign operation is expected under "One Belt, One Road".

Maximizing the shareholders' rewards has always been the development ideology of the Group. In the coming years, the Group will continue to strengthen its internal and external capabilities in order to enhance competitiveness with the objective to generate value for shareholders over the longer term. The Group will increase its production capacity by replacing existing legacy machineries with higher efficiency machineries imported from overseas. Post-acquisition production integration can also improve our capacity. Leverage on the unutilized production capacity of its acquired subsidiaries is another means to cater to our production needs. The Group will further implement its past strategy of acquiring peers in region nearby and identifying EPC company downstream in the cable manufacturing supply chain. Earnings boost and overall synergy brought about by acquisitions are the Group's key criteria when considering a target. Therefore, the Group will also consider acquisitions of domestic peers with potentials in other regions in the PRC. In 2016, the Group will build its own distributed photovoltaic power supply system with an average power generation of 9,450,000kWh each year, which will generate electricity for the Group's own consumption. As a result, it is expected that there will be a significant savings on the cost for electricity for the Group in the coming twenty years after completion.

CEO'S STATEMENT

Acknowledgement

On behalf of the Board, I would like to express my heartfelt gratitude to all employees of the Group for their effort and commitment and to the shareholders and business partners of the Group for their long-lasting support. We are looking forward to achieving even better results and creating more fruitful returns for the shareholders in the coming year.

Chu Hui
Chief executive officer

Management Discussion & Analysis

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the year ended 31 December 2015, the Group's revenue recorded RMB9,167.3 million, representing an increase of approximately 12.4% as compared with the same period in 2014 and profit for the year attributable to owners of the Group amounted to RMB703.3 million, representing an increase of approximately 12.3% as compared with the same period in 2014. The Group's gross profit margin for the year ended 31 December 2015 enhanced to approximately 16.2% (2014: 15.6%). Basic earnings per share for the year was RMB18.76 cents (2014: RMB19.77 cents), representing a decrease of approximately 5.1%.

Market Review and Business Review

In 2015, downward pressure was mounting in the backdrop of decelerating growth of the global economy. According to the statistics from the National Bureau of Statistics, the PRC's growth rate of the gross domestic product ("GDP") was 6.9% in 2015, the lowest in 25 years and the first sub-7% GDP growth since 1990. The industrial and manufacturing sector was severely hit by the economic slump and demands of raw materials were decreasing. Copper, as an important industrial raw material, witnessed the lowest price in six-and-a-half years. Average London Metal Exchange ("LME") copper price decreased by approximately 19.9% from approximately US$6,859.0 per tonne in 2014 to approximately US$5,494.5 per tonne in 2015. Both factors had directly influenced the business performance of power cable manufacturers for the year and in particular the later factor as the Group adopted a cost-plus mechanism for the pricing of the Group's products.

Leveraging the market development to achieve greater results

Despite unfavourable macro-economic environment, the construction of power grids, an infrastructure for industrial, economic and social development, remained a key investment for the PRC. In 2015, investment by SGCC in terms of grid construction amounted to RMB452.1 billion, representing a year-on-year growth of 17.1%.

Rural power grids in the PRC have been plagued by issues such as deterioration and unstable electric supply. Renovation and upgrade for rural grids and extensive improvement for power cables are essential in the attempt to improve electricity supply in rural grids. The electricity supply to Tibetan people at Erdaoqiao village, Dandong township, Ganzi of Sichuan province on 30 June 2015 marked the earlier completion of the mandate by SGCC with regard to the "Three years action plan to supply electricity to population without electricity 《全面解決無電人口用電問題三年行動計劃》(2013–2015)" set out by the National Energy Administration. SGCC had then extended grid to comprehensively cover the range of people without electricity. From 2006 to end of 2015, SGCC had constructed grid to 1.9 million households and 7.5 million people without electricity. In 2015, SGCC had accelerated the upgrading of rural power grids project with an initial investment of RMB90.0 billion followed by supplementary investment of RMB67.4 billion in the later part of the year. The sales volume for power cables, our principal products, received a significant boost and increased by 90.9% to 200,720 km.

The commencement of Ximeng – Jiangsu and Shanghai Temple – Shandong ± 800kV DC UHV transmission projects in December 2015 marked the construction of all "four AC and four DC (四交四直)" UHV grids under the National Plan of Action for the Prevention of Air Pollution (《國家大氣污染防治行動計劃》). The construction of UHV transmission lines became more intense and entered into full speed in 2015. Mengxi – South Tianjin and Yuheng – Weifang UHV AC grids, Jiuquan – Hunan, Shanxi Province – Jiangsu UHV DC grids have started construction. At end of 2015, SGCC had in total completed "three AC and four DC (三交四直)" UHV grids, and were in the construction of "four AC and five DC (四交五直)" UHV grids. The wider coverage of UHV grid network demonstrated the optimization of resources allocation and provided strong support to the consumption of clean energy. Driven by the demand for UHV wires, the sales volume of the Group for bare wires also increased by 17.7% year-on-year to 40,973 tonnes. The hike in sales volume in power cables and bare wires was a testament to the leading position of the Group in the power cable industry. The Group has substantial market advantage to directly benefit from market expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2015, the scale of infrastructure construction maintained at high level. The National Development and Reform Commission ("NDRC") approved a total of 28 feasibility reports on urban rail transit project for 19 cities in PRC including Nanning, Nanping, Shanghai, Chengdu, Xi'an …etc. In 2015, 14 cities and 20 lines (including line extension and 2nd phase) with a total mileage of 334.68 km opened and operated. As at the end of 2015, there were 25 cities and 112 urban rail transit lines in operation with a combined total mileage of 3,286.51 km. Total fixed assets investment on the national railway in the PRC reached RMB820 billion and more than 9,000 km of new lines were put into operation. 61 new construction projects, including Jinan-Qingdao high-speed railway, Shangqiu-Hefei-Hangzhou railway, Datong to Zhangjiakou railway… etc had commenced. Investment in highway construction also increased from RMB1,546 billion in 2014 to approximately RMB1,600 billion in 2015, representing an increase of approximately 3.5% growth. Driven by the growth in infrastructure investment in the PRC, the Group's sale of power cables and wires and cables for electrical equipment to this segment recorded a stable growth.

However, the Group adopts cost-plus model for the pricing of its wires and cables. The average product selling price was materially affected by the drop of copper price so the increase in product sales volume did not entirely translate into an increase in turnover. Overall turnover for the year amounted to RMB9,167.3 million, representing a year-on-year growth of 12.4%. Profit margin of the Group in 2015 remained stable at 7.7%.

Adapt to market trends to boost competency

The significant drop of copper price posed enormous price pressure on cable manufacturers, especially small and medium ones, and escalated industry consolidation. In anticipation of a wave of industry consolidation, the Group will focus on opportunities for merger and acquisition and broaden its product portfolio and enhance its product technical competency, so as to capture more market share and explore the overseas market. On 29 April 2015, the Group acquired 100% interest in each of New Sun and Kai Da at the considerations of approximately RMB383 million and approximately RMB370 million respectively (the details of such acquisitions are set out in the section headed "Acquisition of Subsidiaries" below). Through acquisitions, the Group's existing production capacities for wires and cables were enhanced. New products were added to the Group's portfolio to further broaden its source of income and its customer base which increased the market share of the Group in the power grid market, thus strengthening the Group's leading position as a manufacturer-cum-supplier of composite wires and cables.

"Internet+" facilitates the integration of the Internet and every industry. In view of such emerging trend, the Company entered into a memorandum of understanding with HC International, Inc. on 17 October 2015 and established a joint venture with HC International, Inc. in December 2015, through which the Group will lead the construction of a reliable "Internet + Cable" online trading platform for wire and cable manufacturers and combine both the advantages of online and offline channels for the promotion of wire and cable industry. The Group is a qualified product examination provider for cable manufacturers, which helps assure product quality in an online transaction. The Group will endeavour to maintain the transparency of the trading platform and boost the inventory turnover rate of every enterprise, which will create new marketing channels and extra sources of service income for the Group.

Other than expanding product portfolio, boosting production capacity and enhancing cooperation with external parties, the management is keen on establishing new roles in the industry chain for the Group. On 8 December 2015, the Group entered into a strategic cooperation agreement with China Gezhouba Group International Engineering Co., Ltd. (中國葛洲壩集團國際工程有限公司) ("Gezhouba Engineering"), pursuant to which, products of the Group will be used in the international projects of Gezhouba Engineering, while Gezhouba Engineering will participate in the international projects of the Group. On a resource sharing basis, both parties will expand their sales volume in foreign markets, such as countries in Southeast Asia and Africa, through comprehensive contracting of cable sales and EPC projects. Through the strategic cooperation, the Group can enhance its depth in downstream of the industry chain and generate further income from overseas.

MANAGEMENT DISCUSSION AND ANALYSIS

Acquisition of Subsidiaries

On 29 April 2015, the Group acquired (i) 100% equity interest in Kai Da (together with its subsidiaries, "Kai Da Group") from KDG Investment Limited ("KDG") at the maximum consideration of RMB369,903,000, subject to adjustments ("Kai Da Consideration") pursuant to the agreement dated 13 April 2015 entered into between, among others, the Group and KDG ("Kai Da SP Agreement"); and (ii) 100% equity interest in New Sun (together with its subsidiaries, "New Sun Group") from Nexus Limited ("Nexus") at the maximum consideration of RMB382,503,000, subject to adjustments ("New Sun Consideration") pursuant to the agreement dated 13 April 2015 entered into between, among others, the Group and Nexus ("New Sun SP Agreement").

New Sun Group and Kai Da Group

New Sun is a company incorporated in Cayman Islands with limited liability and is the holding company of the New Sun Group which is principally engaged in manufacture and trading of wires and cables and related raw materials. New Sun Group's special products including flexible fireproof cables, 10kV cross-linked polyethylene insulation materials and copper belt for cable shielding.

Kai Da is a company incorporated in Cayman Islands with limited liability and is the holding company of the Kai Da Group which is principally engaged in manufacture and trading of wires and cables. Kai Da Group has production capacity for high-rated voltage and extra-high rated voltage power cables.

Kai Da Consideration

The Kai Da Consideration, subject to the adjustments below, shall be settled by three instalments in the following manner:

(1) the first instalment of the Kai Da Consideration is RMB312,903,000, among which, (i) as to RMB20,000,000 shall be settled by the Group in cash; and (ii) the balance shall be settled by way of allotment and issue of 148,740,000 new shares of the Company ("Kai Da Consideration Shares"), credited as fully paid, to KDG (or its nominee), upon completion;

(2) the maximum amount of the second instalment of the Kai Da Consideration is RMB28,000,000, which has not been paid and shall be settled by the Group in cash on the 10th Business Day after 31 December 2016 or the date on which all the relevant external guarantees provided by a wholly-owned subsidiary of Kai Da in the PRC ("Kai Da China") and all the relevant account receivables of Kai Da China as set out in the Kai Da SP Agreement are fully released and collected (whichever is earlier) ("Kai Da Relevant Date"), or such other date as agreed by KDG and the Group in writing ("Kai Da Second Instalment Payment Date"); and

(3) the maximum amount of the third instalment of the Kai Da Consideration is RMB29,719,000, which has not been paid and shall be settled by the Group in cash within a period for 30 days commencing from the issue date of the audited consolidated financial statements of Kai Da China for the year ending 31 December 2015 issued by the qualified auditors ("Kai Da Third Instalment Payment Period").

The Kai Da Consideration shall be subject to following adjustments:

(1) The adjustment to the second instalment of the Kai Da Consideration

    In the event that KDG fails to or fails to procure to release all the relevant external guarantees provided by Kai Da China (which amount to RMB76,500,000) or collect all the relevant account receivables of Kai Da China (which amount to approximately RMB30,415,271) on or before the Kai Da Relevant Date, the aggregate amount of such unreleased external guarantees and the uncollected account receivables shall be deducted from the total amount of the second instalment of the Kai Da Consideration, the balance of which shall be the adjusted amount of the second instalment of the Kai Da Consideration.

MANAGEMENT DISCUSSION AND ANALYSIS

If the adjusted amount of the second instalment of the Kai Da Consideration:

(i) is a positive figure, the Group shall pay to KDG such amount on the Kai Da Second Instalment Payment Date;

(ii) is zero (0), the Group shall not be obliged to pay any amount to KDG under the second instalment of the Kai Da Consideration;

(iii) is a negative figure, the Group shall not be required to pay to KDG any amount under the second instalment of the Kai Da Consideration and KDG shall pay to the Group such amount equal to such negative figure on the Kai Da Second Instalment Payment Date.

(2) The adjustment to the third instalment of the Kai Da Consideration

For the purpose of this adjustment, the "Audited NOP" is the Kai Da China's audited net operating profit after tax, as recorded in the audited consolidated financial statements of Kai Da China for the year ending 31 December 2015 prepared in accordance with the applicable PRC accounting principles.

If the Audited NOP is equal to or more than RMB49,380,000, the Group shall pay the full amount of the third instalment of the Kai Da Consideration (i.e. RMB29,719,000) to KDG within the Kai Da Third Instalment Payment Period.

If the Audited NOP is less than RMB49,380,000 (where the Audited NOP is a negative figure, such Audited NOP shall remain as a negative figure), the amount of the third instalment of the Kai Da Consideration shall be determined in accordance with the following formula:

$A = E - ((B - C) \times D)$

where:

A: the adjusted amount of the third instalment of the Kai Da Consideration;

B: RMB49,380,000;

C: Audited NOP;

D: 7.5, being the P/E ratio agreed by KDG and the Group; and

E: RMB29,719,000, being original amount of the third instalment of the Kai Da Consideration.

Provided that if the adjusted amount of the third instalment of the Kai Da Consideration:

(i) is a positive figure, the Group shall pay to KDG such amount within the Kai Da Third Instalment Payment Period;

(ii) is zero (0), the Group shall not be obliged to pay any amount to KDG under the third instalment of the Kai Da Consideration;

(iii) is a negative figure, the Group shall not be required to pay to KDG any amount under the third instalment of the Kai Da Consideration and KDG shall pay to the Group such amount equal to such negative figure within the Kai Da Third Instalment Payment Period.

MANAGEMENT DISCUSSION AND ANALYSIS

As the Audited NOP is more than RMB49,380,000, the Group will pay the full amount of the third instalment of the Kai Da Consideration (i.e. RMB29,719,000) to KDG within the Kai Da Third Instalment Payment Period.

New Sun Consideration

The New Sun Consideration, subject to the adjustments below, shall be settled by three instalments in the following manner:

(1) the first instalment of New Sun Consideration is RMB312,903,000, among which, (i) as to RMB20,000,000 shall be settled by the Group in cash; and (ii) the balance shall be settled by way of allotment and issue of 148,740,000 new shares of the Company ("New Sun Consideration Shares"), credited as fully paid, to Nexus (or its nominee), upon completion;

(2) the maximum amount of the second instalment of New Sun Consideration is RMB38,000,000, which shall be settled by the Group in cash on the 10th business day after 31 December 2016 or the date on which all the relevant external guarantees provided by a wholly-owned subsidiary of New Sun in the PRC ("New Sun China") and all the relevant account receivables of New Sun China as set out in the New Sun SP Agreement are fully released and collected (whichever is earlier)("New Sun Relevant Date"), or such other date as agreed by Nexus and the Group in writing) ("New Sun Second Instalment Payment Date"); and

(3) the maximum amount of the third instalment of New Sun Consideration is RMB34,979,000, which shall be settled by the Group by cash within a period for 30 days commencing from the issue date of the audited consolidated financial statements of New Sun China for the year ending 31 December 2015 issued by the qualified auditors ("New Sun Third Instalment Payment Period").

The New Sun Consideration shall be subject to following adjustments ("New Sun Adjustments"):

(1) The adjustment to the second instalment of the New Sun Consideration

In the event that Nexus fails to or fails to procure to release all the relevant external guarantees provided by New Sun China (which amount to RMB207,000,000) or collect all the relevant account receivables of New Sun China (which amount to approximately RMB6,323,792) on or before the New Sun Relevant Date, the aggregate amount of such unreleased external guarantees and the uncollected account receivables shall be deducted from the total amount of the second instalment of the New Sun Consideration, the balance of which shall be the adjusted amount of the second instalment of the New Sun Consideration.

If the adjusted amount of the second instalment of the New Sun Consideration:

(i) is a positive figure, the Group shall pay to Nexus such amount on the New Sun Second Instalment Payment Date;

(ii) is zero (0), the Group shall not be obliged to pay any amount to Nexus under the second instalment of the New Sun Consideration;

(iii) is a negative figure, the Group shall not be required to pay to Nexus any amount under the second instalment of the New Sun Consideration and Nexus shall pay to the Group such amount equal to such negative figure on the New Sun Second Instalment Payment Date.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) The adjustment to the third instalment of the New Sun Consideration

For the purpose of this adjustment, the "Audited NOP" is the New Sun China's audited net operating profit after tax, as recorded in the audited consolidated financial statements of New Sun China for the year ending 31 December 2015 prepared in accordance with the applicable PRC accounting principles.

If the Audited NOP is equal to or more than RMB51,719,700, the Group shall pay the full amount of the third instalment of the New Sun Consideration (i.e. RMB34,979,000) to Nexus within the New Sun Third Instalment Payment Period.

If the Audited NOP is less than RMB51,719,700 (where the Audited NOP is a negative figure, such Audited NOP shall remain as a negative figure), the amount of the third instalment of the New Sun Consideration shall be determined in accordance with the following formula:

$A = E - ((B - C) \times D)$

where:

A: the adjusted amount of the third instalment of the New Sun Consideration;

B: RMB51,719,700;

C: Audited NOP;

D: 7.5, being the P/E ratio agreed by Nexus and the Group; and

E: RMB34,979,000, being original amount of the third instalment of the New Sun Consideration.

Provided that if the adjusted amount of the third instalment of the New Sun Consideration:

(i) is a positive figure, the Group shall pay to Nexus such amount within the New Sun Third Instalment Payment Period;

(ii) is zero (0), the Group shall not be obliged to pay any amount to Nexus under the third instalment of the New Sun Consideration;

(iii) is a negative figure, the Group shall not be required to pay to Nexus any amount under the third instalment of the New Sun Consideration and Nexus shall pay to the Group such amount equal to such negative figure within the New Sun Third Instalment Payment Period.

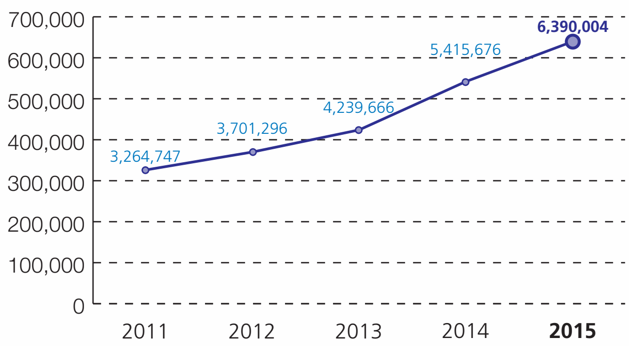
As the Audited NOP is more than RMB51,719,700, the Group will pay the full amount of the third instalment of the New Sun Consideration (i.e. RMB34,979,000) to Nexus within the New Sun Third Instalment Payment Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

Turnover of power cables

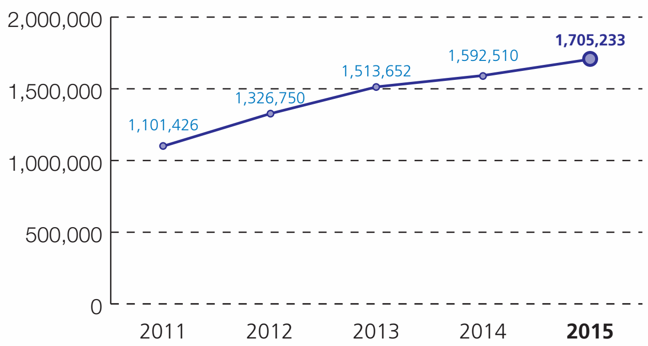
(RMB'000)



Sales of power cables, the Group's principal products in 2015, recorded continuous growth with turnover of approximately RMB6,390.0 million, representing an increase of approximately 18.0% (2014: RMB5,415.7 million) and accounting for approximately 69.7% of the Group's total turnover. The sales volume for power cables increased from approximately 105,120 km in 2014 to approximately 200,720 km in 2015 or increased by approximately 90.9%. The increase in sales volume was partly attributable to the sales contribution by New Sun and Kai Da acquired in April 2015 and partly attributable to the increase in sales of overhead insulated cables. However, the average selling price of power cables dropped from approximately RMB51,519 per km in 2014 to approximately RMB31,835 per km in 2015 because of the decrease in copper price and the increase in sales of lower average price overhead insulated cables which boosted the sales volume for power cables during the year ended 31 December 2015.

Turnover of wires and cables for electrical equipment

(RMB'000)

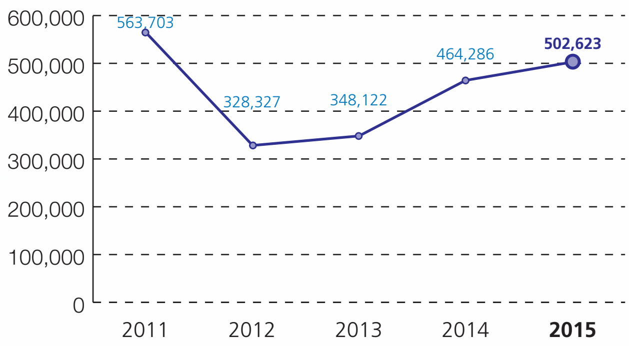


Sales of wires and cables for electrical equipment in 2015 also recorded growth with turnover of approximately RMB1,705.2 million, representing an increase of approximately 7.1% (2014: RMB1,592.5 million) and accounting for approximately 18.6% of the Group's total turnover. The sales volume for wires and cables for electrical equipment increased from approximately 820,699 km in 2014 to approximately 1,041,035 km in 2015 or increased by approximately 26.8%. The average selling price of wires and cables for electrical equipment dropped from approximately RMB1,940 per km in 2014 to approximately RMB1,638 per km in 2015 due to the decrease of average copper price in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover of bare wires

(RMB'000)



Sales of bare wires in 2015 also recorded growth with turnover of approximately RMB502.6 million, representing an increase of approximately 8.2% (2014: RMB464.3 million) and accounting for approximately 5.5% of the Group's total turnover. The sales volume for bare wires increased from approximately 34,823 tonnes in 2014 to approximately 40,973 tonnes in 2015 or increased by approximately 17.7%. The increase in sales volume of bare wires was mainly attributable to the increase in sales of bare wires (including UHV wires) to grid corporations in China during the year ended 31 December 2015. The average selling price of bare wires decreased from approximately RMB13,333 per tonne in 2014 to approximately RMB12,267 per tonne in 2015 due to the decrease in average price of aluminum in 2015.

Turnover of special cables

Sales of special cables in 2015 recorded approximately RMB569.4 million, representing a decrease of approximately 16.5% (2014: RMB682.1 million) and accounting for approximately 6.2% of the Group's total turnover. The sales volume of special cables increased from approximately 40,345 km in 2014 to approximately 46,216 km in 2015 while the average selling price of special cables dropped from approximately RMB16,907 per km in 2014 to approximately RMB12,320 per km in 2015. It is because the average copper price kept decreasing and less mining cables which are of higher average selling price were sold during the year ended 31 December 2015.

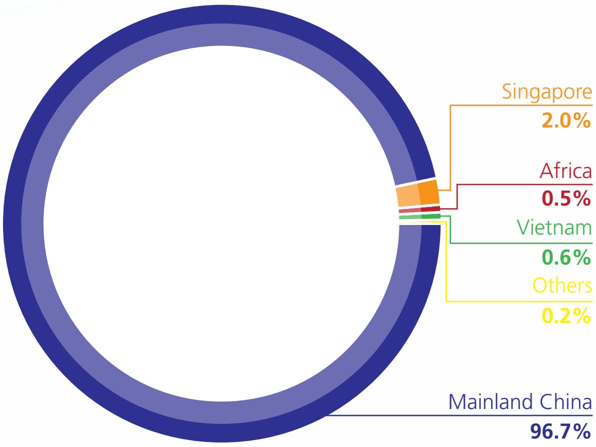
Revenue by Geographical Markets

The PRC market remains the Group's key market. Sales to the PRC market in 2015 increased by approximately RMB1,063.9 million or 13.6% to approximately RMB8,860.6 million which accounted for approximately 96.7% of the Group's total revenue. Such increase was primarily due to the increase in sales to the grid corporations in the PRC, in particular, after the acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group in April 2015 whose sales were wholly generated from the PRC market.

Turnover from overseas markets decreased by approximately RMB51.1 million or 14.3% in 2015 to approximately RMB306.7 million. The decrease was mainly attributable to decrease in orders as a result of delayed projects carried out by a major South African customer of the Group. During the year ended 31 December 2015, the Group made sales in Vietnam which compensated the sales decrease in other overseas markets, such as Singapore and African countries.

MANAGEMENT DISCUSSION AND ANALYSIS

Geographical Combination 2015



Cost of goods sold

Cost of goods sold composes of cost of raw materials, production costs and direct labour costs. Cost of raw materials accounted for approximately 96.0% (2014: 96.2%) of cost of goods sold in 2015, of which copper and aluminium are the major raw materials accounting for approximately 79.4% (2014: 80.0%) of cost of goods sold in 2015. Direct labour costs remained stable and accounted for approximately 1.1% (2014: 0.9%) of the cost of goods sold in 2014. The remaining balance of approximately 2.9% (2014: 2.9%) of the cost of goods sold in 2015 was attributable to production costs which mainly consist of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs.

Gross profit and gross profit margin

The gross profit increased by RMB210.6 million, or approximately 16.6%, from RMB1,271.2 million for the year ended 31 December 2014 to RMB1,481.8 million for the year ended 31 December 2015. Gross profit margin increased from approximately 15.6% for the year ended 31 December 2014 to approximately 16.2% for the year ended 31 December 2015. The increase in gross profit is in line with the increase in turnover.

Gross profit margin for power cables increased by approximately 0.4%, from approximately 16.5% for the year ended 31 December 2014 to approximately 16.9% for the year ended 31 December 2015 due to increase in sales of higher-end cable products by the Group as a whole after consolidating result of Kai Da and New Sun which were acquired in 2015. Gross profit margin for wires and cables for electrical equipment increased by approximately 1.9%, from approximately 11.3% for the year ended 31 December 2014 to approximately 13.2% for the year ended 31 December 2015 due to the sales of higher profit margin products used for power and infrastructure projects. The gross profit margin for bare wires increased by approximately 4.5% from approximately 9.5% for the year ended 31 December 2014 to approximately 14.0% for the year ended 31 December 2015. The increase in gross profit margin for bare wires was mainly attributable to the increase in sales of UHV wires. Gross profit margin for special cables decreased by approximately 3.3% from approximately 22.2% for the year ended 31 December 2014 to approximately 18.9% for the year ended 31 December 2015. The decrease was due to the decline in sales of special cable for mining use and the increase of sales in special cables for property sector.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company in 2015 increased by approximately 12.3% from RMB626.0 million for the year ended 31 December 2014 to approximately RMB703.3 million for the year ended 31 December 2015. The increase was in line with the increase in turnover.

Selling and distribution costs

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

The selling and distribution costs increased by approximately RMB67.7 million or 50.1%, from approximately RMB135.0 million for the year ended 31 December 2014 to approximately RMB202.7 million for the year ended 31 December 2015. The increase in selling and distribution costs was mainly due to the increase in transportation costs, project insurance costs, advertising expenses and sales incentive to salesperson as a result of increase in turnover. The selling and distribution costs as percentage of turnover was approximately 2.2% (2014: 1.7%).

Administrative expenses

Administrative expenses increased by RMB31.2 million or 21.1%, from approximately RMB148.0 million for the year ended 31 December 2014 to approximately RMB179.2 million for the year ended 31 December 2015 mainly due to the increase in depreciation, administrative staff costs and exchange loss as well as the combination of expenses incurred by the New Sun and Kai Da from date of acquisition to 31 December 2015. The administrative expenses as percentage of turnover was approximately 2.0% (2014: 1.8%).

Other expenses

Other expenses, which composed of research and development cost and costs incurred in the acquisitions of 100% equity interest in each of New Sun and Kai Da, increased by approximately 30.6% from approximately RMB23.5 million for the year ended 31 December 2014 to approximately RMB30.7 million for the year ended 31 December 2015. It was primary because the Group has increased spending on research and development of new products and technology in 2015.

Other losses

Other losses composed of bad debt expense, loss on disposal of property, plant and equipment and loss on fair value change of contingent consideration payables. Other losses increased by approximately 34.9% from approximately RMB21.5 million in 2014 to approximately RMB29.0 million in 2015. The increase in other losses was mainly due to the increase in provision of bad debt for long outstanding receivables and the loss on fair value change of contingent consideration payables as a result of New Sun and Kai Da were able to achieve their respective profit guaranteed for 2015.

Finance Costs

Finance costs slightly increased by approximately 0.5% from approximately RMB242.1 million in 2014 to approximately RMB243.3 million in 2015. The insignificant increase in finance cost was due to the increase in bank borrowings for business growth which was alleviated by the decrease of bank borrowing interest rate during the year ended 31 December 2015.

Taxation

The Group's taxation increased by RMB34.2 million, or approximately 25.9%, from RMB132.1 million for the year ended 31 December 2014 to RMB166.3 million for the year ended 31 December 2015. This increase in taxation was mainly due to an increase in taxable income. The effective tax rate increased from approximately 17.4% in 2014 to approximately 19.1% in 2015 due to the two acquired subsidiaries, Kai Da and New Sun, in 2015 were subject to corporate income tax rate of 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff number and remuneration

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

Following the listing ("Listing") of the Company on the Main Board of The Hong Kong Stock Exchange Limited ("Stock Exchange"), the overall remuneration structure and process have remained the same as before Listing, except that the remuneration committee has performed certain functions as set out in the paragraph headed "Remuneration Committee" in the Corporate Governance Report after Listing. As at 31 December 2015, the Group had 3,623 employees with 3,549 based in the PRC, 65 based in South Africa, 5 based in Hong Kong, 2 based in Russia and 2 based in Australia. A breakdown of employees by function as at the same date is as follows:

Department	Number of employees
Management and administration	408
Finance, control and accounting	120
Procurement	13
Production and quality assurance	2,375
Sales and marketing	499
Research and development	208
Total	3,623

Notes:

1. The three independent non-executive Directors are not included above because they are not the Group's employees.
2. 154 professional quality management personnel are included in the production, quality assurance and finance department above.
3. Please refer to Notes 11 and 12 of Notes to the Consolidated Financial Statements for the details of the remuneration of the Directors and the employees for the years ended 31 December 2014 and 2015.

Earnings per share

For the year ended 31 December 2015, the basic earnings per share decreased to HK22.4 cents (or RMB18.76 cents), as compared with HK24.8 cents (or RMB19.77 cents) for the year ended 31 December 2014. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of RMB703.3 million (2014: RMB626.0 million) and on the weighted average number of 3,749,256,000 (2014: 3,166,317,000) ordinary shares.

The weighted average number of ordinary shares for the purpose of diluted earnings per share has been adjusted for the issue of warrants that took place on 23 April 2014 for the year ended 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

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

Financial position of the Group

1. Shareholders' Equity

The Group maintains a solid financial position, and the shareholders' equity of the Company increased to RMB4,895.9 million as at 31 December 2015 from RMB3,229.9 million as at 31 December 2014, an increase of approximately 51.6%. This was partly attributable to the total comprehensive income generated in 2015 added to equity attributable to owners of the Company. Apart from the profit for the year which contributed to the increase in shareholders' equity of the Company, the issue of shares as partial consideration for the acquisitions of 100% equity interest in each of New Sun and Kai Da on 29 April 2015 and the issue of shares by the Company upon completion of subscription for shares by Power Heritage on 6 August 2015 were the main reasons for the increase in shareholders' equity.

2. Assets

As at 31 December 2015, total assets of the Group amounted to approximately RMB12,119.3 million (31 December 2014: RMB8,717.5 million), representing an increase of approximately 39.0%.

Non-current assets increased by approximately 41.9% from approximately RMB869.5 million as at 31 December 2014 to approximately RMB1,234.2 million as at 31 December 2015. The increase was mainly due to goodwill arose in, and addition of property, plant and machinery and land use rights through the acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group in April 2015.

Current assets increased by approximately 38.7% from approximately RMB7,848.0 million as at 31 December 2014 to approximately RMB10,885.1 million as at 31 December 2015 mainly due to the addition of current assets as a result of the acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group in April 2015, and the increase of trade receivables and inventories as a result of business growth.

As at 31 December 2015, the Group had bank balances and cash of RMB2,131.3 million (2014: RMB1,666.2 million). The Group also had pledged bank deposits of RMB1,892.9 million (2014: RMB1,304.5 million). Majority of bank balances and cash were in Renminbi ("RMB").

The Group's treasury policy is to control the costs and manage the returns of investments efficiently. Short-term borrowings work better than long-term borrowings to finance the Group's working capital needs. Any excess cash that is generated from the Group's operations will be placed in short-term and low risk banking products that are not sensitive to foreign exchange fluctuations to maximize the Group's investment returns.

3. Borrowings

Total interest-bearing bank borrowings increased by approximately 29.0% from approximately RMB2,922.2 million as at 31 December 2014 to approximately RMB3,770.2 million as at 31 December 2015 due to the Group's needs of working capital in expanding its business after completion of acquisitions. Of the Group's total bank loan as at 31 December 2015, approximately 92.7% (2014: 95.1%) of short-term borrowings were made by the Group's subsidiaries in China. These loans were not guaranteed by the Company.

Equity attributable to owners of the Company was approximately RMB4,895.9 million as at 31 December 2015, approximately 51.6% higher than the same as at 31 December 2014 of approximately RMB3,229.9 million. Apart from the profit for the year contributed to the increase in equity attributable to owners of the Company, the issue of shares as partial consideration for the acquisitions of 100% equity interest in each of New Sun and Kai Da on 29 April 2015 and the issue of shares by the Company upon completion of subscription for shares by Power Heritage on 6 August 2015 were the main reasons for the increase in equity.

MANAGEMENT DISCUSSION AND ANALYSIS

The net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balances and cash and pledged bank deposits) of approximately negative RMB254.0 million (being the excess of the sum of bank balances and cash and pledged bank deposits over bank borrowings) over total equity of approximately RMB4,895.9 million as at 31 December 2015, decreased from approximately -1.5% as at December 2014 to approximately -5.2% as at 31 December 2015. The decrease was due to increase of net cash generated from operating activities towards the end of the year ended 31 December 2015 and the issue of the shares by the Company upon completion of subscription for shares by Power Heritage on 6 August 2015.

As at 31 December 2015, the total debt to total assets ratio, defined as a percentage of total liabilities (current liabilities and non-current liabilities) of approximately RMB7,223.3 million over total assets (non-current assets and current assets) of approximately RMB12,119.3 million, of the Group decreased to approximately 59.6% from approximately 62.9% as at 31 December 2014. The decrease was due to the increase in current assets which outweighted the increase in current liabilities and that the net proceeds from issue of subscription shares to Power Heritage was used as working capital.

In addition, the Group had sufficient committed but unused banking facilities of approximately RMB1,521.9 million as at 31 December 2015 to meet the need of the Group's business development.

As at 31 December 2015, the Group pledged certain of its buildings and machinery with carrying value of RMB209,650,000 and RMB97,442,000, respectively (2014: RMB108,936,000 and RMB112,052,000, respectively) to certain banks to secure credit facilities granted to the Group.

As at 31 December 2015, the Group did not pledge any of its inventories (2014: RMB315,000,000) to certain banks to secure credit facilities granted to the Group.

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

As at 31 December 2015, the Group's borrowings were mainly denominated in Renminbi ("RMB") and carry People's Bank of China plus rates. Please refer to Note 26 of Notes to the Consolidated Financial Statements for details of bank borrowings denominated in currencies other than RMB.

As at 31 December 2015, approximately 67.5% (2014: 72.9%) of the Group's total bank borrowings carried fixed interest rate.

Principal risks and uncertainties

The Group is principally engaged in the manufacturing and trading of wires and cables, which are exposed to certain market risks including interest rate risk, credit risk, commodity risk and foreign currency risk, the details of risks are set out below. The Group's business and profitability growth will be affected by the volatility and uncertainty of macro-economic conditions in the PRC and other global regions. Any change in macro-economic conditions may directly affect the costs of production and demand for the products.

1. Interest rate risk

The Group's fair value and cash flow interest rate risks are mainly related to fixed and variable rate borrowings respectively. In order to exercise prudent management against interest rate risk, the Group has established policies and procedures to the assessment, booking and monitoring all such financial risk. The Group is planning to leverage on the Hong Kong capital market platform to obtain lower cost funding. The Group will continue to review the market trends, as well as its business operation needs and industry position, so as to arrange for the most effective interest risk management tools.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Credit risk

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

The Group's credit risk is primarily attributable to its trade and other receivables. The Group has policies in place to ensure that sales are made to customers with an appropriate credit assessment. In addition, the Directors review the recoverable amount of each trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. As at 31 December 2015, the five largest trade and bills receivables represented approximately 15.2% (2014: 10.4%) of the total trade and bills receivables.

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

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

3. Commodity risk

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

4. Foreign currency risk

The Group had certain transactions that were denominated in foreign currencies, which made its results of operation susceptible to foreign currency risk. During the year ended 31 December 2015, sales denominated in currencies other than the functional currency of the group entity which it relates represented approximately 3% (2014: 4%) of the Group's sales. The Group has an operating subsidiary in South Africa. Together with the Group's sales and operations, the Group is exposed to currency fluctuation in the United States Dollars, Singapore Dollars, South Africa Rands and Hong Kong Dollars.

During the year ended 31 December 2015, the Group did not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2015. As at the date of this annual report, the Group was not involved in any current material legal proceeding, nor was the Group aware of any pending or potential material legal proceedings involving the Group. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Looking forward, the Group expects further reform measures will be introduced to various industries and increased investment will be directed towards infrastructure development by the PRC government in its effort to boost and revive its economic growth. Policies had been promulgated by the PRC authority to expand and expedite the transformation and upgrade of power grids. In short, the Group believes there remains opportunities in power cables market.

The National Energy Administration of China had published the Action Plan of Distribution Network Construction and Upgrade (2015-2020), setting out its blueprint on expedition of national power distribution network upgrade and how this would support the social and economic development. The SGCC's investment in distribution network construction and upgrade from 2015 to 2020 should not be lower than RMB2 trillion. During the "13th Five-Year-Plan" period, accumulated investments by SGCC should also not be lower than RMB1.7 trillion. It is expected that by 2020, the total wire lengths in high-voltage distribution network will be 1.01 million km. The executive meeting of the State Council of China has also resolved to embark on a new round of rural power grids upgrade to alleviate the problems of low-rated voltage power and insufficient electrical power generation in rural power grids. Expected investment by SGCC will be over RMB700 billion in total and it targets to realise basic full coverage of electrical power over the entire rural area by 2020. Such investments will directly add demand to power cables market and the Group's products could be benefited from this development with its excellent quality.

The "13th Five-Year-Plan" period has formally commenced, where substantial capital expenditure shall continue to be allocated to railway construction, providing impetus to the growth in wire and cable market of the PRC. During the "12th Five-Year-Plan" period, a total of RMB3.58 trillion of railway fixed assets investment had been completed, with new routes being put into operation reaching 30,500 km. Market participants generally foresee that railway construction and development will keep pace during the "13th Five-Year-Plan", with newly constructed railways to reach approximately 30,000 km and total investment of no less than RMB3.5 trillion. This has not taken into account construction of rail transits in various cities, which is expected to grow to more than 6,000 km in total. There will be substantial demand in power cables for electrical power transmission and distribution in railway and urban rail construction projects. Hence the Group believes the demand for power cables to remain stable.

With the unevenly distributed electrical power network and severe air pollution problem in China, the development and construction of UHV grids is becoming increasingly important and urgent. According to SGCC, it will expedite the process of formulation and pronouncement of the planning for the second group in the "5 AC and 8 DC (五交八直) UHV transmission lines" projects this year, with 3 AC and 3 DC (三交三直) UHV transmission lines to be granted within the first half of this year, and another 2 AC and 4 DC (兩交四直) UHV transmission lines to be granted in the second half of the year. According to information from SGCC, the National Energy Administration has drawn up a long-term plan on China's power grid development known as "five vertical and five horizontal (五縱五橫) transmission lines". Under the plan, it is expected that SGCC will have planned and constructed a total of 27 UHV lines by 2020. The purpose of this project is to achieve the transmission of power from the western and other regions of China which are rich in power supply to the eastern, central and southern part of China in a more efficient and proper manner and to mitigate the air pollution problem. With its application in long distance power transmission along overhead lines, bare wire market should be able to benefit from the extensive construction of UHV grids.

The above national policies emphasise the role of power cables and bare wires in various kinds of construction. China domestic subsidiaries of the Company have established years of cooperation with SGCC and China Southern Power Grid Company Limited ("CSG"), two power grid heavyweights in the PRC. In particular, Wuxi Jiangnan Cable is one of the few qualified suppliers of EHV power cables and UHV wires to the two power grid corporations. Thanks to the Group's outstanding products, the Group will directly benefit from the construction of power grids. In the coming year, the Group will allocate more resources to EHV power cable. A new vertical production line trial installation will be completed in April 2016 and operation is expected to commence in the second half of 2016. Wuxi Jiangnan Cable has also started equipping its own plants with photovoltaic power generation systems to replace its existing daytime electricity supply and reduce operation costs. It also serves as experience for the Group's future photovoltaic power generation EPC projects.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group captures both domestic opportunities from infrastructure in the PRC and foreign prospects from "One Belt, One Road". Most countries covered by "One Belt, One Road" are still developing and undergoing rapid industrialisation and urbanisation, resulting in greater electric power consumption. Substantial investments and advanced technology are required to develop electric power infrastructure and cross-border electric transmission channels. Demands for new power grids and their upgrade and renovation form an robust need of cables. New regional institutions, such as the Asian Infrastructure Investment Bank ("AIIB") and New Silk Road Fund ("NSRF"), are also designed in part to complement and support the Belt and Road's development. The Group, being one with the most comprehensive licenses and accreditations to export cables, will certainly benefit from these national strategies. The Group has been adopting a pro-active approach and encouraging salespersons going overseas and setting up offices or shops. The Group leverages on its years of overseas operation experience in the South African market to explore opportunities of African countries. Looking forward, cooperation between domestic and foreign enterprises will be strengthened to reach a win-win situation to aggressively improve our sales contribution from overseas as expected under "One Belt, One Road".

In the coming years, the Group will further implement its past strategy of acquiring peers and identifying EPC company downstream in the cable manufacturing supply chain. Earnings boost and overall synergy brought about by acquisitions are the key criteria of the Group when considering a target. Therefore, the Group will also consider acquisitions of domestic peers with potentials in other regions in the PRC. The potential acquisitions are expected to be settled by cash through internal sources of the Group and/or issuance of shares.

CORPORATE GOVERNANCE REPORT

Corporate governance practices

The Board recognises that good corporate governance is fundamental to the smooth and effective operation of the Group and enhances the shareholders' value. The Board is always committed to maintain a good corporate governance practice and procedures.

Prior to 20 April 2012 ("Listing Date"), the date on which the shares of the Company were first listed on the Main Board of the Stock Exchange, the Company had adopted a code of corporate governance, containing the code provisions ("GC Code") of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and had during the year ended 31 December 2015 ("Relevant Period") complied with the GC Code, save for the deviation from the code provision E.1.2 of the GC Code that the chairman of the Board was unable to attend the annual general meeting of the Company held on 30 April 2015 due to sickness.

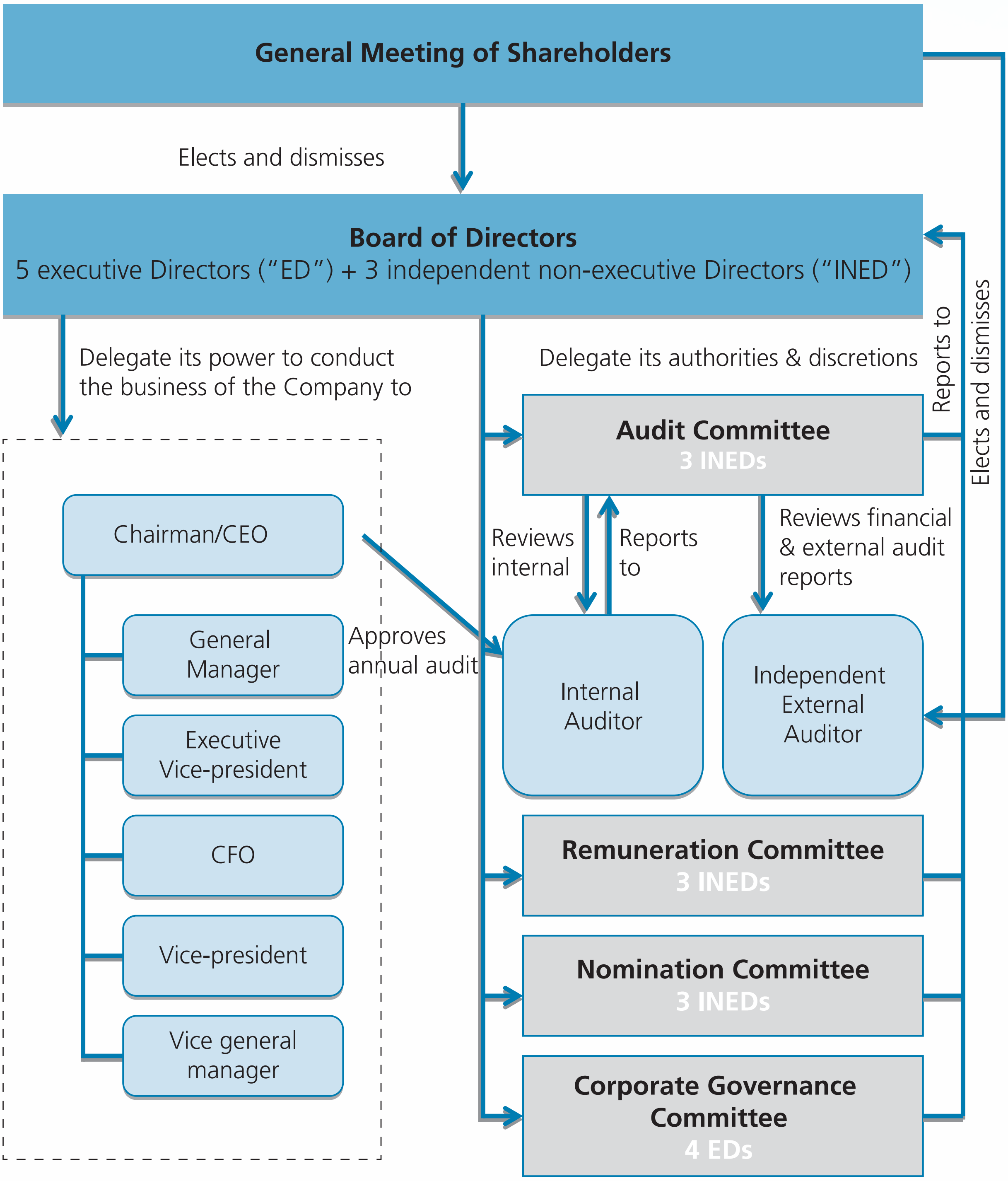
Model code for securities transactions by Directors

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

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

CORPORATE GOVERNANCE REPORT

Corporate governance structure



CORPORATE GOVERNANCE REPORT

Board of Directors

Board composition

As at 31 December 2015 and the date of this report, the Company had 5 executive Directors and 3 independent non-executive Directors. Biographical details of the Directors (including the relationships between the Directors) are set out on pages 42 to 45 in this annual report. They bring to the Board a wide range of professional experience in areas of business, financial, legal, technical and industrial, which contribute to the effective direction of the Group. The Board considers its current composition to have achieved good diversity in terms of educational background and professional experience.

The Board comprises the following Directors during the year ended 31 December 2015:

Executive Directors

Mr. Rui Fubin (Chairman of the Board and the Corporate Governance Committee)
Mr. Chu Hui (Chief Executive Officer, Member of the Corporate Governance Committee)
Ms. Xia Yafang
Mr. Jiang Yongwei (Member of the Corporate Governance Committee)
Mr. Hao Minghui (Member of the Corporate Governance Committee)

Independent non-Executive Directors

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

Other than the independent non-executive Directors, all executive Directors were appointed on a full-time basis. All Directors are required to comply with their responsibilities as Directors and their common law duty as directors.

During the year ended 31 December 2015, the Company's Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing the appropriate professional qualifications, or accounting or related financial management expertise. The Company has complied with the Listing Rules requirement of independent non-executive directors representing at least one-third of the Board.

All independent non-executive Directors have submitted annual confirmations of their independence to the Board pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Board considers all independent non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

Board responsibilities and delegation

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

The management, consisting of executive Directors along with other senior executives, is delegated with responsibilities for implementing the strategy and direction as adopted by the Board from time to time, and conducting the day-to-day operations of the Group. The management of the Company has provided all Directors with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Executive Directors and senior executives meet regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board also gives clear directions as to their powers of management including the circumstances under which the management should report back, and reviews the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Chairman's responsibility

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

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

During the year, the Chairman has held meetings with the non-executive Directors without the executive Directors present. The Chairman has ensured that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

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

Chairman and Chief Executive Officer

The Chairman provides leadership for the Board. The Chief Executive Officer has responsibility for the Group's overall business and development strategies, and daily management generally. The Company has kept these roles separated and distinctive as this ensures better checks and balances and hence better corporate governance.

CORPORATE GOVERNANCE REPORT

Directors' Responsibility in respect of the Financial Statements

The Directors acknowledge their responsibility of preparing the financial statements of the Company for the year ended 31 December 2015.

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

As at the date of this annual report, the Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

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

Company Secretary

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

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

Board meetings and attendance

The Board meets regularly to review the financial and operating performance of the Company and to discuss future strategy. Ten Board meetings were held during the Relevant Period. At the Board meetings held during the Relevant Period, the Board reviewed significant matters including the Company's annual and interim financial statements, proposals for final and interim dividends, annual report and half-year report. At least 14 days' notice had been given to all Directors for all regular Board meetings held during the Relevant Period. The Chairman had ensured that all Directors were properly briefed on issues arising at board meetings. All Directors were provided with accurate, clear, complete and reliable information in a timely manner. All Directors were given the opportunity to include matters for discussion in the agenda. The agenda and Board papers for each meeting were sent to all Directors at least 3 days in advance of every regular Board meeting. All minutes of the Board meetings are kept by the Company Secretary and are available to all Directors for inspection either in physical form or electronic copy.

CORPORATE GOVERNANCE REPORT

Ten Board meetings and one general meeting ("General Meeting") were held during the year ended 31 December 2015. The attendance record of each Director at Board meetings and the General Meeting during the year ended 31 December 2015 is set out below:

Directors	Attendance at Board meetings	Attendance at General Meeting
Executive Directors		
Mr. Rui Fubin *(Chairman)*	10	0
Mr. Chu Hui	10	1
Ms. Xia Yafang	10	1
Mr. Jiang Yongwei	10	1
Mr. Hao Minghui	10	0
Independent Non-executive Directors		
Mr. He Zhisong	5	0
Mr. Yang Rongkai	9	0
Mr. Poon Yick Pang Philip	10	1

Directors' continuing professional development programme

All Directors are encouraged to and had confirmed that they had complied with the Code Provision A.6.5 of the GC Code for the year ended 31 December 2015, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged training on merger and acquisitions for the Directors. Each Director had attended such training.

Independent non-Executive Directors

The independent non-executive Directors have been re-appointed on a term of three years commencing on 1 March 2015. Pursuant to the articles of association of the Company, all Directors (including independent non-executive Directors) appointed by the Board shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board), and shall be eligible for re-election at that meeting. All Directors shall be subject to retirement by rotation at least once every three years and the retiring Director shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

Board committees

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

Remuneration committee

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

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

Details of the remuneration packages of the executive Directors and the information about the five highest paid individuals are set out in Note 12 of the Notes to the Consolidated Financial Statements. Remuneration packages of senior management not disclosed in Note 12 of the Notes to the Consolidated Financial Statements were in the band of nil to HK$1,000,000.

During the year ended 31 December 2015, one Remuneration Committee meeting was held.

Membership and Attendance Members	Attendance
Independent Non-executive Directors	
Mr. He Zhisong *(Chairman of the Remuneration Committee)*	0
Mr. Yang Rongkai	1
Mr. Poon Yick Pang Philip	1

CORPORATE GOVERNANCE REPORT

Nomination committee

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

The Board has adopted a board diversity policy which sets out the approach to achieve and maintain diversity of the Board in order to ensure governance. Appointment of the Board members is based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity of the Board, including but not limited to age,education background, professional experience, skills and knowledge. The process of the nomination of Directors is led by the Nomination Committee which has been made on a merit basis. The Board considers that its current composition has achieved good diversity in terms of education background and professional experience.

During the year ended 31 December 2015, two Nomination Committee meetings were held. The Nomination Committee reviewed the structure, the number of members and the composition of the Board.

Membership and Attendance	
Members	**Attendance**
Independent Non-executive Directors	
Mr. He Zhisong *(Chairman of the Nomination Committee)*	0
Mr. Yang Rongkai	2
Mr. Poon Yick Pang Philip	2

CORPORATE GOVERNANCE REPORT

Audit committee

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

During the year ended 31 December 2015, two Audit Committee meetings were held. The Audit Committee had reviewed the Company's accounts, results for the year ended 31 December 2014 and results for the six months ended 30 June 2015 and recommended to the Board to adopt, approve and disclose the same in the annual and half-year reports. The Audit Committee had reviewed and agreed with the audit plan proposed by the Company's independent auditor Deloitte Touche Tohmatsu. The Audit Committee had also reviewed the internal controls adopted by the Group and considered the system of internal controls are effective.

Membership and Attendance	
Members	**Attendance**
Independent Non-executive Directors	
Mr. Poon Yick Pang Philip *(Chairman of the Audit Committee)*	2
Mr. He Zhisong	0
Mr. Yang Rongkai	2

Corporate governance committee

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

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2015, one Corporate Governance Committee meeting was held. The Corporate Governance Committee had reviewed the Company's status of compliance with the Appendix 14 to the Listing Rules on Corporate Governance Code and Corporate Governance Report. The Corporate Governance Committee reviewed and approved the disclosure in the annual report regarding the derivation from the code provision A.2.1 of the GC Code.

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

Accountability and audit

Financial reporting

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

The responsibilities of Deloitte Touche Tohmatsu, Certified Public Accountants, the external auditor of the Company ("Auditor"), are stated in the Independent Auditor's Report of the Company's 2015 Annual Report.

External auditor's remuneration

The fees in relation to the audit and non-audit services provided by Deloitte Touche Tohmatsu, the Auditor, are as follows:

Nature of services	**31 December 2015 HK$'000**	31 December 2014 HK$'000
Audit services	**2,650**	2,280
Review on accounting treatment of acquisition of subsidiaries	**420**	–
	3,070	2,280

Internal control

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

CORPORATE GOVERNANCE REPORT

Shareholders' rights

General meetings

During the year ended 31 December 2015, the Company had arranged for the notice to shareholders to be sent for annual general meeting at least 20 clear business days before the meeting.

At the general meeting held during the year ended 31 December 2015, the chairman of the meeting had explained the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.

Putting forward proposals at a general meeting

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

Procedure for shareholders convene an EGM

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

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

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

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

Shareholders' enquiries

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

The Company Secretary
Jiangnan Group Limited
Unit 22, 15/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong
Email: joseph.chan@jng1366.com
Tel No.: +852 3998 3093
Fax No.: +852 3998 3094

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

CORPORATE GOVERNANCE REPORT

Investor relations and communication

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

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

Information disclosure

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

Constitutional documents

During the financial year ended 31 December 2015, there was no change in the Company's constitutional documents.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Rui Fubin (芮福彬), Chairman

Mr. Rui Fubin, aged 67, was appointed as the Company's Director on 4 January 2011, the Chairman on 25 February 2012 and an executive Director on 20 April 2012. He is also the chairman of the Company's corporate governance committee. Mr. Rui is primarily responsible for the formulation of the Group's development strategies. Mr. Rui has over 30 years of experience in the wire and cable industry in the PRC. Since March 2004, Mr. Rui has been the chairman of Wuxi Jiangnan Cable and responsible for overall management of production, operation, sales and administration matters in the Company. From August 1997 to February 2004, he was the chairman of 無錫市江南線纜有限公司 (unofficial English translation for identification purpose only, Wuxi Jiangnan Wire and Cable Co., Ltd.) ("Wuxi Jiangnan Wire"). He has been a director of Extra Fame Group Limited ("Extra Fame") since December 2005, a director of Jiangnan Cable (HK) Limited ("Jiangnan HK") since December 2010 and a director of Wuxi Jiangnan Cable and Power Heritage Group Limited ("Power Heritage") since February 2004. From May 1994 to October 1998, he was the deputy mayor of Guanlin Town People's Government of Yixing City. From January 1989 to January 1995, Mr. Rui was the factory director of Wuxi City Jiangnan Cable Factory and played a role in the overall management of the factory. From January 1982 to December 1988, Mr. Rui was the director of Yixing City Guanlin Society Welfare Factory, a company partially engaged in the production and sales of wires and cables. Mr. Rui completed two years of adult education in the Nanjing University of Finance and Economics (formerly known as Jiangsu Cadre's Institute of Economic and Management) on a part-time basis in May 1992, majoring in industrial economic management. Mr. Rui was qualified as a senior economist by the Jiangsu Province Personnel Department in November 2007.

Mr. Rui has obtained several awards, including China Outstanding Entrepreneur by the China Enterprise Culture Improvement Association, The Fifth China Township Entrepreneur Award by the Ministry of Agriculture of PRC and Top Ten Headline Figures of China Economy by the Economic Daily in 2004. Mr. Rui is the father-in-law of Mr. Chu Hui, an executive Director and the chief executive officer of the Company. Mr. Rui is the uncle of the spouse of Mr. Jiang Yongwei, an executive Director and a vice president of the Company. As at the date of this annual report, Mr. Rui Fubin was a director of Power Heritage, being a shareholder of the Company which had an interest in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong.

Mr. Chu Hui (儲輝), Chief executive officer

Mr. Chu Hui, aged 44, was appointed as the Company's chief executive officer on 7 July 2014, and an executive Director on 18 July 2013. He is also a member of the Company's corporate governance committee. He has over 20 years of experience in the wire and cable industry in the PRC. From May 2005 to December 2014, he was the chairman, an executive director and a general manager of 江蘇中煤電纜有限公司 (in English, for identification purpose only, Jiangsu Zhongmei Cable Group Co., Ltd.) (''Zhongmei Cable''), which is now a wholly owned subsidiary of the Company, and has been responsible for overall management of production, operation, sales and administration matters in Zhongmei Cable. Mr. Chu has been a director of Extra Fame, Jiangnan HK and Wuxi Jiangnan Cable, all being wholly owned subsidiaries of the Company, since July 2014. Mr. Chu has been a director of Jiangnan Power Assets Limited and Jiangnan Power Assets (HK) Limited, both being wholly owned subsidiaries of the Company, since September 2015. From June 2003 to November 2004, he was the executive director and general manager of Wuxi Zhongnan Mining Cable Co. Ltd. (無錫中南礦纜有限公司). From November 2001 to May 2003, he was the deputy general manager of Wuxi Jiangnan Wire. From November 1997 to October 2001, he was the factory director of Shanghai Asahi cable factory (上海滬旭電纜廠). From December 1994 to October 1997, he was engaged in the sales and marketing of wires and cables.

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

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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

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

As at the date of this annual report, Mr. Chu Hui was a director of Power Heritage, being a shareholder of the Company which had an interest in the shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong.

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

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

Ms. Xia Yafang, aged 43, was appointed as the Company's Director on 26 January 2011, the executive vice president on 25 February 2012 and an executive Director on 20 April 2012. She joined the Group in 2004. Ms. Xia is in charge of the Group's overall day to day operations. She was appointed as chief engineer of Wuxi Jiangnan Cable in August 2011. Ms. Xia has over 21 years of experience in the wire and cable industry in the PRC. From April 2001 to January 2004, she was a director of technology department and vice general manager of Wuxi Jiangnan Wire. From March 1996 to March 2001, Ms. Xia was the engineer for cable research technology and the director of crosslinked cable factory of Wuxi Far East Cable Factory. During this tenure, Ms. Xia was in charge of production and daily operations of the factory. From July 1992 to February 1996, Ms. Xia worked at Wuxi City Jiangnan Cable Factory as a technician. Ms. Xia graduated from Nanjing Jinling Institute of Technology (formerly known as Nanjing Polytechnic University) with an associate degree in mechanical and electrical engineering in July 1992. Ms. Xia was qualified as a senior economist in November 2005 and a senior engineer in September 2007, both by the Jiangsu Province Personnel Department.

Mr. Jiang Yongwei (蔣永衛), vice president

Mr. Jiang Yongwei, aged 49, was appointed as a vice president and the Company's Director on 25 February 2012 and an executive Director on 20 April 2012. He is also a member of the Company's corporate governance committee. Mr. Jiang joined the Group in February 2004. He is the head of the production department responsible for the Group's production management. He has over 22 years of experience in the wire and cable industry in the PRC. Mr. Jiang has been a director of Wuxi Jiangnan Cable since February 2004. Mr. Jiang served as vice general manager of Wuxi Jiangnan Wire from August 1997 to February 2004 and was responsible for its overall production. From January 1990 to July 1997, Mr. Jiang was a director of the infrastructure department of Wuxi Jiangnan Wire. Mr. Jiang graduated from Southeast University with a master's degree in business administration in July 2004. Mr. Jiang was qualified as a senior economist in November 2005 by the Jiangsu Province Personnel Department. The spouse of Mr. Jiang Yongwei is a niece of Mr. Rui Fubin, the Chairman and an executive Director, and his spouse is a cousin of the spouse of Mr. Chu Hui, an executive Director and the chief executive officer of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Hao Minghui, aged 58, was appointed as the Company's executive Director on 1 December 2012. He is also a member of the Company's corporate governance committee. Mr. Hao is responsible for overseas sales of the Group. He has over 22 years of experience in the wire and cable industry in the PRC. Mr. Hao completed the advanced study of a business management course offered by the Business Management Research Centre of the Renmin University of China in August 2002. In December 2003, Mr. Hao was accredited as a senior member of the Chinese Enterprise Operation and Management Talent Bank by National Talent Service Centre under the Ministry of Human Resources. Mr. Hao has also obtained the qualification certificate of international professional manager issued by the China International Professional Manager Association and China International Talent Development Centre.

From March 1990 to July 1991, Mr. Hao worked as the vice factory director of a cable factory in the PRC, and was the vice-general manager of a company in the PRC engaging in the manufacturing of wires and cables from August 1991 to October 1999. During November 1999 to November 2001, Mr. Hao was the vice-general manager and the sales director of a joint venture enterprise in the PRC which was engaged in the wire and cable industry and he had been the general manager of that enterprise from December 2002 to December 2005, the business chief executive in respect of electricity medium and high voltage cable and high pressure accessories in Greater China and certain Asian countries and regions and the business chief executive of cable accessories company of that enterprise from June 2008 to December 2010.

From January 2011 to September 2012, Mr. Hao worked as the vice-chief engineer of Wuxi Jiangnan Cable. From September 2012 to December 2014, Mr. Hao was the general manager of 無錫新蘇能電力科技有限公司 (in English, for identification purpose only, Wuxi New Suneng Electric Power Science & Technology Co., Ltd.), a wholly-owned subsidiary of the Company. Since January 2015, Mr. Hao has been the vice-general manager of Wuxi Jiangnan Cable.

Independent non-executive Directors

Mr. He Zhisong (何植松)

Mr. He Zhisong, aged 46, was appointed as the Company's Director on 25 February 2012 and an independent non-executive Director on 1 March 2012. He is also the chairman of the Company's remuneration committee and nomination committee and a member of the Company's audit committee. Mr. He is a partner of Zhong Lun Law Firm. From July 1996 to February 2002, he worked for the Justice Bureau of Zhuhai, Guangdong. From November 1994 to July 1996, he was a partner of Zhuhai Sanlian Law Firm. From July 1992 to November 1994, Mr. He worked in the government of the Jinwan (formerly known as Sanzao) district of Zhuhai. Mr. He obtained a bachelor's degree and a master's degree in law from Southwest University of Political Science and Law and Renmin University of China in July 1992 and July 1999, respectively.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Rongkai (楊榮凱)

Mr. Yang Rongkai, aged 56, was appointed as the Company's Director on 25 February 2012 and an independent non-executive Director on 1 March 2012. He is also a member of the Company's audit committee, remuneration committee and nomination committee. Mr. Yang has served as the head of the Electric Equipment Inspection and Test Centre Cable Quality Inspection Station of State Grid Electric Science Research Institute (formerly known as Wuhan High Voltage Research Institute, which was then renamed as "State Grid Wuhan High Voltage Research Institute" in 2007 and was subsequently merged with State Grid Nanjing Automation Research Institute and named as State Grid Electric Science Research Institute in 2008 (hereinafter called "Electric Science Research Institute")) since July 2008. Mr. Yang has been a member of the Preparatory Team of the Cable Group of the State Grid Electric Power Research Institute since April 2011 and is currently a member of the Preparatory Team of the Cable Group of the State Grid Electronics Research Institute. He was the deputy chief of the Cable Technology Research Institute and the deputy head of the Cable Quality Inspection Station of Electric Science Research Institute from January 2007 to July 2008. From December 2005 to December 2006, he was the chief engineer of Cable Technology Research Centre and the deputy head of the Cable Quality Inspection Station of Electric Science Research Institute. During October 1985 to December 2006, Mr. Yang held various positions in Electric Science Research Institute, including engineer, senior engineer, and is now the deputy chief of the Cable Quality Inspection Station. He was appointed as the deputy secretary general at the Electricity Industry Electricity and Cable Standardisation Technology Committee in June 2001. Mr. Yang graduated from the China Electric Power Research Institute with a master's degree in engineering in December 1985. Mr. Yang was qualified as a senior engineer by the Department of Electric Power of Electric Science Research Institute in December 1992.

Mr. Poon Yick Pang Philip (潘翼鵬)

Mr. Poon Yick Pang Philip, aged 46, was appointed as the Company's Director on 25 February 2012 and an independent non-executive Director on 1 March 2012. He is also the chairman of the Company's audit committee, and a member of the Company's remuneration committee and nomination committee. Mr. Poon has over 19 years of experience in corporate finance and accounting. Mr. Poon joined Real Nutriceutical Group Limited (stock code: 2010), a company listed on the Main Board of the Stock Exchange in June 2008 as the chief financial officer and company secretary. Mr. Poon has been serving as an independent non-executive director of Trigiant Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1300), with effect from 23 August 2011. Mr. Poon had taken up senior finance position in companies listed in Hong Kong and the United States of America. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, and in major listed companies in Hong Kong, including Lenovo Group Limited (stock code: 992) and Sun Hung Kai Properties Limited (stock code: 16), which are both listed on the Main Board of the Stock Exchange. Mr. Poon obtained a bachelor's degree in commerce from the University of New South Wales in April 1993 and is a holder of a chartered financial analyst charter of the CFA Institute, a certified practising accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Committees

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

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

Notes:

C: Chairman of the relevant Board committees

M: Member of the relevant Board committees

Senior Management

Mr. Chan Man Kiu (陳文喬), aged 54, is the chief financial officer and company secretary. Mr. Chan joined the Group in January 2011. Mr. Chan has over 30 years of experience in the field of finance and operations. From June 2007 to December 2010, Mr. Chan served as the deputy chief operating officer in Xinhua Sports and Entertainment Limited. From March 2001 to May 2007, Mr. Chan was the finance director and managing director in business development of Xinhua Finance Limited. From January 1990 to February 2001, he held different managerial roles in Jardine Fleming. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan obtained his Professional Diploma in Accountancy from the Hong Kong Polytechnic in November 1984 and EMBA from the City University of Hong Kong in November 2003.

Mr. Cao Shunkang (曹順康), aged 45, is the financial controller in China. Mr. Cao joined Jiangsu Zhongmei Cable Co. Ltd., a subsidiary of the Group in 2004. He was appointed as the financial controller of Wuxi Jiangnan Cable in September 2014 and responsible for account and financial matters of the Group's operations in China. From July 1997 to May 2003, Mr. Cao was an accountant in Yixing Xin Fang Supply and Marketing Cooperation. He has rich experience in statistic, accounting, office administration and operation controls. Mr. Cao is a qualified accountant in China. Mr. Cao studied management and economic and graduated from Jiangnan University in 1991. Mr. Cao furthered his study in finance and graduated from China University of Geosciences in 2013.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

Principal activities and business review

The Company acts as an investment holding company and its subsidiaries now comprising the Group are principally engaged in the manufacture and trading of wires and cables for power transmission, distribution systems and electrical equipment. The activities of its subsidiaries are set out in Note 39 of Notes to the Consolidated Financial Statements.

The details of business review are set out in the "Management Discussion and Analysis" ("MD&A") in this annual report on pages 14 to 19. A discussion of the future developments of the Group's business is set out in the "CEO's Statement" and in the MD&A in this annual report on pages 10 to 11 and pages 28 to 29 respectively. An analysis of the Group's performance is set out on pages 20 to 23. A discussion of the Group's principal risks and uncertainties is set out in the MD&A in this annual report on pages 26 to 27.

Environmental and Social Governance

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework which motivates our staff, to contribute to the community in which we conduct our businesses and generate sustainable returns to the Group.

Workplace Quality

The Group is an equal opportunity employer and encourages diversity regardless of age, gender, marital status and race. We believe that employees are one of most valuable assets and regard human resources as our corporate wealth. The Group is people-focused, and we recognise the contributions by employees as well as attract and retain key personnel and talents with appropriate skills, experience and competence which would complement and meet the corporate and business objectives of the Group.

We provide on-the-job training and development opportunities to promote our staff's self-actualisation and enhance our employees' career progression. In 2015, there were 1,859 employees joining the training courses while the average training hours per female employee and male employee were 1.07 and 1.1 respectively. We also encourage staff participation of external seminars and workshops to keep them abreast of changes and updates on different areas, including but not limited to legal, compliance, financial accounting and reporting, and industry technology and practices. With all-round training, our staff's knowledge and understanding in the business objectives and operations, occupational and management knowledge and skills are aligned and enhanced, which all are conducive to improving the efficiency, productivity and overall reduction of the risks and uncertainties of the Group.

The Group provides competitive remuneration package to attract and motivate the employees. We offer competitive remuneration, retirement and medical benefits, insurance and leave entitlement which commensurate to market standards, and we regularly review the remuneration package of employees and report to the Remuneration Committee to make necessary adjustments to conform to the market standards. In 2015, we adopted a share award scheme as recognition of the contributions made by certain employees, executives, officers or directors and to give incentives in order to retain them for contributing to the continuing operation and development of the Group and to attract suitable talent for further development of the Group, further details of which are set out in the section headed "Share award Scheme" below.

Health and Safety

The Group cares about the health and safety of our employees. We encourage direct communications with employees for occupational health and safety issues. To provide a safe working environment to our employees, risk assessments of workstations for all users are performed at regular intervals. Upgrades and maintenance of tools, office and equipment are performed to cope with the needs and demands of our employees.

DIRECTORS' REPORT

We have established and implemented an employee working and health management policy which sets out the responsibilities of employee health and safety management and promotes a harmonious and safe workplace environment. Our management monitors daily operation to ensure the policy has been implemented effectively. Employees are also expected to take all practical measures to protect their health and safety at work in keeping with their defined responsibilities and applicable laws. There were no work-related fatalities and there were only 1,643 lost days (or representing 0.2% of total work days) due to sickness and work injury in 2015.

The Group is concerned with the well-being of its employees, and provides its employees with adequate health insurance coverage. Employees are provided with medical insurance benefits and other health awareness programs.

Environment Protection

The Group principally engages in manufacture and trading of wires and cables that are not subject to significant environmental regulations. However, conservation of the environment is a key focus for the Group, and the Group is committed to conserving and improving the environment on a continuing basis. During the year under review, the Group has complied with the applicable environmental regulations in all material aspects, encouraged environmental protection and promoted environmental awareness to all employees. We have appointed a qualified agency to deal with the disposal of hazardous wastes. We process emitted exhaust gas with dust removal devices and we use high-quality coal. The major air and greenhouse gas emissions in 2015 was carbon dioxide which amounted to approximately 40,700 tonnes. Approximately 1 ton of hazardous waste, such as wastage lubricating oil, was produced in daily operation in 2015.

The Group is committed to the principle and practice of recycling and reducing. To help conserve the environment, it recycles the waste metal in production, encourages use of recycled paper for printing and copying, double-sided printing and copying, sets up recycling bins, and reduces energy consumption by switching off idle lightings, air conditioning and electrical appliances. The Group has also invested in power saving technology in production lines. In 2015, certain critical machineries were acquired to replace the inefficient machineries which resulted in energy saving of approximately 1,300 tonnes of standard coal. The Group has consumed approximately 84,500 kilowatt of electricity and 723,000 tonnes of water in 2015.

The Group reviews its environmental practices from time to time and considers implementing further ecofriendly measures, sustainability targets and practices in the operation of the Group's business to embrace the principles of reduce, recycle and reuse, and further minimize our impact on the natural environment. For instance, the Group is planning to install photovoltaic panels on the roof of our production plants to generate solar energy for our own consumption in 2016.

Operating practices

Supplier relationship is our key factor to achieve sustainable business growth. We have thousands of suppliers mainly in the PRC. We have built harmonious relationships with our major suppliers over the years that serve to smooth out our production flow and enhance our productivities.

We have thousands of customers mainly in the PRC who have established years of business relationship with us. We understand product quality is one of the key concerns of our customers. The Group has set up a quality assurance department and relevant policies to produce high quality products. Operating management closely monitors the production flow and review the quality assurance policy from time to time to ensure high quality products are produced. To protect intellectual property rights, all products are produced with the relevant certificates. In addition, we have obtained 302 patents in China for our products, with 72 products being designated as "High Technology Products" in Jiangsu Province and 8 products being awarded as "National Key New Products". We have established relevant policy and worked with governmental authorities to avoid faked products being produced and to protect intellectual property rights. In 2015, no product was recalled due to safety and health reasons and we only received 13 complaints from our customers, but none of them was related to unresolved product quality issue after comprehensive investigation.

DIRECTORS' REPORT

Community Involvement

The Group is committed to participating in various community events and making donations and sponsorships to charitable organizations from time to time, and to the improvement of community well-being and social services. The Group supports and encourages its staff to actively participate in a wide range of charitable events outside working hours, to raise awareness and concern for the community, and to inspire more people to take part in serving the community. In 2015, the Group contributed over RMB6 million (consisting of cash donations, and the monetary value of social activities, sponsorship and other community development activities undertaken by the Group and its employees) and 7,200 employee working days in total to community development.

Compliance with Laws and Regulations

The Group has established compliance and risk management policies and procedures, and its senior management has been delegated with the responsibility to monitor compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group in material respects during the year under review.

Results and appropriations

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62 and the state of affairs of the Group as at 31 December 2015 are set out in the consolidated statement of financial position on page 63.

An interim dividend of HK2.5 cents per share amounting to HK$101,972,000 (approximately RMB83,387,000) in aggregate was paid to the shareholders whose names appeared on the register of members of the Company on 30 September 2015 during the year ended 31 December 2015.

Subsequent to the end of the reporting period, the Board recommended a final dividend ("Final Dividend") of HK3.1 cents per share for the year ended 31 December 2015 (2014: HK3.7 cents) to the shareholders which is subject to shareholders' approval in the forthcoming annual general meeting to be held on 20 May 2016 ("AGM").

Subject to the approval of the shareholders at the AGM, it is expected that the Final Dividend will be paid on or around 30 June 2016 to the shareholders whose names appear in the register of members of the Company on 17 June 2016.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 64.

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, the special reserve and the accumulated profits which amounted to RMB4,493,757,000 (2014: RMB2,889,525,000) as at 31 December 2015. Under the Cayman Islands Companies Law, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

DIRECTORS' REPORT

Use of net proceeds received from the initial public offering

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$448.1 million (or equivalent to approximately RMB370.0 million), which is intended to be applied in the manner consistent with that in the prospectus of the Company dated 10 April 2012. As at the date of the Directors' Report, approximately HK$141.0 million in aggregate was used to set up production facilities for aluminium alloy and double capacity conductors of which approximately HK$115.0 million was settled by the net proceeds from the Listing and the balance of approximately HK$26.0 million was settled by the Group's internal resources, approximately HK$97.0 million in aggregate of the net proceeds allocated to set up a manufacturing facility in South Africa had been fully utilised, approximately RMB148.0 million of the net proceeds allocated for expansion of the Group's production facilities for high and extra-high voltage cables and only approximately RMB69.9 million was used for the purpose, approximately HK$74.0 million of the net proceeds allocated for used to upgrade and expand existing production facilities and enhance research and development capabilities had been fully utilised, and approximately HK$14.1 million of the net proceeds allocated for acquisition had been fully utilised for acquisition of Jiangsu Zengyang in 2013.

Financial summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 120.

An analysis of the Group's results by segment for the year ended 31 December 2015 is set out in Note 7 of Notes to the Consolidated Financial Statements.

Share capital

Details of movements during the year ended 31 December 2015 in the share capital of the Company are set out in Note 30 of Notes to the Consolidated Financial Statements.

Share premium and reserves

Details of movements during the year ended 31 December 2015 in the share premium and reserves of the Group are set out on the consolidated statement of changes in equity on page 64.

Event after reporting period

On 28 January 2016, the Board resolved to grant an aggregate of 35,300,000 shares in the capital of the Company to 21 selected officers and employees of the Group pursuant to the share award scheme adopted on 9 September 2015, of whom (i) Mr. Chu Hui, Ms. Xia Yafang, Mr. Jiang Yongwei and Mr. Hao Minghui are executive directors of the Company, and (ii) the remaining 17 selected employees are senior management of the Group.

Directors

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

Chairman and Executive Director

Mr. Rui Fubin

Chief Executive Officer and Executive Director

Mr. Chu Hui

Executive Directors

Ms. Xia Yafang
Mr. Jiang Yongwei
Mr. Hao Minghui

Independent Non-executive Directors

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

DIRECTORS' REPORT

In accordance with Article 84(1) of the Company's Articles of Association, each of Mr. Chu Hui, Mr. Hao Minghui and Mr. He Zhisong shall retire by rotation at the AGM, and being eligible, offer himself, for re-election.

The Directors' biographical information is set out on pages 42 to 45.

Information regarding Directors' emoluments is set out in Note 12 of Notes to the Consolidated Financial Statements.

Confirmation of independence

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

Directors' service contracts

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he/she agreed to act as a Director for a fixed term of three years with effect from 20 March 2015 save and except Mr. Hao Minghui ("Mr. Hao") and Mr. Chu Hui ("Mr. Chu") who have separately entered into a service contract with the Company pursuant to which Mr. Hao and Mr. Chu were appointed as the executive Director for a fixed term from 20 April 2015 to 1 November 2017 and from 18 July 2015 to 31 December 2017 respectively. Each of the independent non-executive Directors has been re-appointed for a fixed term of three years from 1 March 2015 to 28 February 2018.

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

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

As at 31 December 2015, 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 SFO, Chapter 571 of the Laws of Hong Kong) as recorded in the register maintained by the Company under section 352 of the SFO, or which were required to notify the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions

Name of director	The Company/ Name of association corporations	Capacity/ Nature of interest	Number and class of shares in the Company/ associated Corporations	Approximate percentage of interest
Chu Hui	The Company	Beneficial owner	167,286,000 ordinary shares	4.1% *(Note 1)*
Rui Fubin	The Company	Interest of controlled corporation *(Note 2)*	1,994,280,000 ordinary shares	48.89% *(Note 1)*
Rui Fubin	Power Heritage Group Limited	Beneficial owner	83 ordinary shares	83% *(Note 3)*
Xia Yafang	The Company	Beneficial owner	112,000 ordinary shares	0.003% *(Note 1)*

DIRECTORS' REPORT

Notes:

(1) The total number of ordinary shares of the Company in issue as at 31 December 2015 (i.e. 4,078,866,000 shares) has been used for the calculation of the approximate percentage of interest.

(2) 1,696,800,000 shares of these shares were registered in the name of Power Heritage Group Limited, which was owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping. Extra Fame Group Limited, which was wholly-owned by the Company, which was 41.6% owned by Power Heritage Group Limited as at 31 December 2015, was interested in 297,480,000 shares of theses shares. Mr. Rui Fubin is deemed to be interested in the shares held by Power Heritage Group Limited and Extra Fame Group Limited by virtue of the SFO.

(3) The total number of shares of Power Heritage Group Limited in issue as at 31 December 2015 (i.e. 100 shares) has been used for calculation of the percentage of interest.

Save as disclosed above, none of the Directors and chief executives of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations as at 31 December 2015.

Substantial Shareholders

As at 31 December 2015, the register of substantial shareholders maintained by the Company under section 336 of the SFO recorded that the following persons, other than directors or chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company which were required to notify the Company were as follows:

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of interest (Note 1)
Substantial Shareholders			
Power Heritage Group Limited	Beneficial owner	1,994,280,000 *(Note 2)*	48.89%
Ms. Shi Mingxian	Interest of spouse *(Note 3)*	1,994,280,000	48.89%
Other persons			
The Company	Interest of controlled corporations *(Note 4)*	297,480,000	7.29%
Value Partners Group Limited	Interest of controlled corporations *(Note 5)*	306,764,000	7.52%
Value Partners High-Dividend Stocks Fund	Beneficial owner	295,558,000	7.25%

DIRECTORS' REPORT

Notes:

(1) The total number of ordinary shares of the Company in issue as at 31 December 2015 (i.e. 4,078,866,000 shares) has been used for the calculation of the approximate percentage of interest.

(2) 1,696,800,000 shares of these shares were registered in the name of Power Heritage Group Limited, a company which was owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping. Extra Fame Group Limited, which was wholly-owned by the Company, which was 41.60% owned by Power Heritage Group Limited as at 31 December 2015, was interested in 297,480,000 shares of these shares. Power Heritage Group Limited was deemed to be interested in the shares held by Extra Fame Group Limited by virtue of the SFO.

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

(4) Extra Fame Group Limited, which was wholly-owned by the Company as at 31 December 2015, was interested in 297,480,000 shares of these shares. The Company was deemed to be interested in the shares held by Extra Fame Group Limited by virtue of the SFO.

(5) These shares are held by Value Partners Limited, which is wholly-owned by Value Partners Hong Kong Limited, which is wholly-owned by Value Partners Group Limited. Value Partners Group Limited is deemed to be interested in the shares held by Value Partners Limited by virtue of the SFO.

Save as disclosed, as at 31 December 2015, other than directors or chief executives of the Company, there was no other person who had interests or short positions in the shares, underlying shares or debenture of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO and section 336 of the SFO.

As at 31 December 2015, Mr. Rui Fubin was a director of Power Heritage Group Limited and Extra Fame Group Limited. Save as disclosed above as at 31 December 2015, none of the Directors was a director or an employee of a company which had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

Connected transactions

During the year ended 31 December 2015, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

The Board confirms that the related party transactions as disclosed in Note 36 of Notes to the Consolidated Financial Statements does not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

Contracts of significance

Save for the Placing and Subscription Agreement as disclosed in the paragraph headed "Issue of New Shares" below, no contracts of significance to which the Company, its holding company or its subsidiaries was a party and in which a Director had a material interest, whether direct or indirect, subsisted at the end of the year or at any time during the year ended 31 December 2015.

Directors' interests in competing business

During the year ended 31 December 2015 and up to the date of this report, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

Management contracts

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2015.

DIRECTORS' REPORT

Non-competing Undertaking

Power Heritage Group Limited (the controlling shareholder of the Company) and Mr. Rui Fubin (Chairman and an executive Director) ("Covenanters") have entered into the deed of non-competition ("Deed of Non-competition") in favour of the Group dated 25 February 2012, pursuant to which, each of them has undertaken not to directly or indirectly engage in the business which might compete with the Group ("Restricted Business").

The Company has adopted the following measures to monitor that the Deed of Non-competition has been complied with during the year ended 31 December 2015:

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

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

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

After 31 December 2015, Power Heritage Group Limited and Mr. Rui Fubin have provided written annual declaration on compliance with their non-competition undertaking for the year under review to the Company.

Arrangement to purchase shares or debentures

Save for the Planning and Subscription Agreement as disclosed in the paragraph headed "Issue of New Shares" below, neither the Company nor any of its holding companies was a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the year ended 31 December 2015 and up to the date of this report.

Emolument policy

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

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

Share award scheme

The Board adopted a share award scheme ("Share Award Scheme") on 9 September 2015 ("Adoption Date"). The Share Award Scheme does not constitute a share option scheme for the purpose of Chapter 17 of the Listing Rules. The principal terms of the Share Award Scheme are outlined below.

Purpose

The purpose of the Share Award Scheme are (i) to recognise the contributions by the Group's employees, executives, officers or directors at any time during the period beginning with the Adoption Date and ending on the Termination Date (as defined below) and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

DIRECTORS' REPORT

Operation of the Share Award Scheme

The Share Award Scheme is administered by the Board and the trustee ("Trustee") of the trust ("Trust") constituted by the trust deed ("Trust Deed") pursuant to which the Share Award Scheme was established, in accordance with the rules of the Share Award Scheme and the Trust Deed.

Pursuant to the terms and conditions of the Share Award Scheme, the Board may from time to time instruct the Trustee to purchase ordinary shares of the Company ("Shares"). The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's resources for the purchase of Shares at the prevailing market price according to the instructions of the Board. The Trustee shall purchase from the market the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the terms and conditions of the Share Award Scheme. The Shares so purchased and the remaining balance of any residual cash shall form part of the trust fund under the Trust ("Trust Fund").

Subject to the terms of the Share Award Scheme, the Board may, from time to time, at its absolute discretion select any employee of the Group (other than any employee who is a resident in a place where the award of the awarded shares and/or the vesting and transfer of the awarded shares pursuant to the terms of the Share Award Scheme are not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such employee ("Excluded Employee")) for participation in the Share Award Scheme as a selected employee ("Selected Employee"), and grant such number of awarded shares to any Selected Employee at a nominal consideration of HK$0.01 per awarded share to be paid on vesting and subject to such terms and conditions as it may determine in its absolute discretion.

The Board is entitled to impose any conditions ("Performance Conditions"), as it deems appropriate in its absolute discretion with respect to the vesting of the awarded shares on the Selected Employee, and shall inform the Trustee and such Selected Employee the Performance Conditions of the award and the awarded shares. The Performance Conditions may be different for different employees.

Where any grant of awarded shares is proposed to be made to any Selected Employee who is a Director (including any independent non-executive Director), such grant must first be approved by all the members of the remuneration committee of the Company, or in the case where the grant is proposed to be made to any member of the remuneration committee, by all of the other members of the remuneration committee.

Where any grant of awarded shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable unless otherwise exempted under the Listing Rules.

Prior to the vesting date, any award made under the rules of the Share Award Scheme shall be personal to the Selected Employees to whom it is made and shall not be assignable and no Selected Employee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to the awarded shares referable to him/her pursuant to such award.

Restrictions

No instructions to acquire any Shares shall be given to the Trustee under the Share Award Scheme when dealings in the Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

The Board shall not make any further award of awarded shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time. The maximum nominal value of the Shares which may be awarded to a Selected Employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

DIRECTORS' REPORT

Vesting of Awarded Shares

Subject to the terms and conditions of the Share Award Scheme and the fulfillment of all relevant vesting conditions, the awarded shares and the related income derived therefrom are subject to a vesting scale in tranches of 25% each in accordance with the vesting schedule which make reference to the anniversary date of the first vesting date. Vesting of the Shares will be conditional on the Selected Employee remaining an employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee.

An award shall automatically lapse when a Selected Employee ceases to be an employee of the Group or an order of winding up of the Company is made or a notice is duly given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering a resolution for the voluntary winding up, save that in the case when a Selected Employee dies, or retires at his/her normal retirement age or earlier by agreement prior to or on the vesting date, all the awarded shares and the related income shall be deemed to be vested on the day immediately prior to his/her death or retirement.

In the event (i) a Selected Employee is found to be an Excluded Employee or (ii) a Selected Employee fails to return duly executed transfer documents prescribed by the Trustee for the relevant Shares awarded and the related income within the stipulated period, the relevant part of an award made to such Selected Employee shall automatically lapse forthwith and the relevant Shares awarded and related income shall not vest on the relevant vesting date but shall form part of the Trust Fund for the purposes of the Share Award Scheme.

If there occurs an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise prior to the vesting date, all the awarded shares and the related incomes shall immediately vest in the Selected Employee on the date when such change in control event becomes or is declared unconditional or in the case of a scheme of arrangement on the record date for determining entitlements under such scheme and such date shall be deemed the vesting date.

Where the awarded shares do not vest in accordance with the terms and conditions of the Share Award Scheme, those awarded shares shall form part of the Trust Fund.

Termination

The Scheme shall terminate on the earlier of the 10th anniversary date of the Adoption Date or such date of early termination as determined by the Board by a resolution of the Board provided that such termination shall not affect any subsisting rights of the Selected Employees ("Termination Date).

Upon termination, no further grant of awarded shares may be made under the Share Award Scheme. All awarded shares and the related income derived therefrom shall become vested on the Selected Employees so referable on such date of termination, subject to the receipt by the Trustee of the transfer documents duly executed by the Selected Employees within the stipulated period. The Trustee shall dispose of the Shares (except for any awarded share subject to vesting on the Selected Employees) remaining in the Trust Fund within the stipulated period and net proceeds of such sale together with such other funds and properties remaining in the Trust Fund (after making appropriate deductions in respect of all disposal costs, liabilities and expenses) shall be remitted to the Company forthwith.

During the year ended 31 December 2015, 15,040,000 Shares were acquired by the Trustee at a total consideration of HK$24,720,000 (approximately RMB20,374,000). No share was awarded under the Share Award Scheme during the year ended 31 December 2015.

Subsequent to the year ended 31 December 2015, 35,300,000 Shares were granted to 21 Selected Employees pursuant to the Share Award Scheme, of whom (i) Mr. Chu Hui, Ms. Xia Yafang, Mr. Jiang Yongwei and Mr. Hao Minghui are executive Directors; and (ii) the remaining 17 Selected Employees are senior management of the Group.

DIRECTORS' REPORT

Retirement benefit scheme

With effect from 1 May 2011, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Contributions to the MPF Scheme made by the Group were in accordance with the statutory requirement prescribed by the MPF Ordinance (i.e. at least 5% of the employee's monthly relevant income or HK$1,500 where the employee's monthly relevant income exceeds HK$30,000 with effect from 1 June 2014 (HK$1,250 where the employee's monthly relevant income exceeds HK$25,000 before 1 June 2014)). The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. During the year ended 31 December 2015, the Group made contribution to the MPF Scheme amounting to approximately HK$85,000.

The Group also makes contribution to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance according to the Social Insurance Law in PRC. The contribution rates for the Group are based on the local regulations of the social insurance scheme in Yixing which is 8% for basic pension insurance, 9% on basic medical insurance, 1% on unemployment insurance, 2% on work-related injury insurance and 0.5% on maternity insurance respectively, and the contribution was based on the average salary of the workers in Yixing. During the year ended 31 December 2015, the Group made contribution to the Social Insurance in PRC amounting to approximately RMB25.3 million.

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

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year under review. The Company has also taken out and maintained appropriate insurance cover to indemnify the Directors for liabilities that may arise out of corporate activities in the Group. The insurance coverage is reviewed on an annual basis. During the year ended 31 December 2015, no claims were made against the Directors.

Pre-emptive rights

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

Sufficiency of public float

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

Charitable donations

Charitable donations made by the Group during the year ended 31 December 2015 amounted to RMB890,712 (2014: RMB87,892).

Major customers and suppliers

For the year ended 31 December 2015, the Group's largest customer accounted for approximately 14.5% (2014: 2.8%) of the Group's revenue and the five largest customers of the Group accounted for approximately 22.2% (2014: 9.2%) of the Group's revenue. For the year ended 31 December 2015, the Group's largest supplier accounted for approximately 35.2% (2014: 34.9%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 70.7% (2014: 79.2%) of the Group's purchases for the year.

DIRECTORS' REPORT

At no time during the year ended 31 December 2015 did a Director, a close associate of a Director or a shareholder whom to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's share during the year ended 31 December 2015.

Issue of New Shares

(a) On 29 April 2015, the Company allotted and issued (i) 148,740,000 new ordinary shares of HK$0.01 each of the Company to KDG Investment Limited as settlement of RMB292,903,000 of the total consideration of RMB369,903,000 (subject to adjustments) for the acquisition of 100% equity interest in Kai Da Investments Limited; and (ii) 148,740,000 new ordinary shares of HK$0.01 each of the Company to Nexus NS Limited as settlement of RMB292,903,000 of the total consideration of RMB382,503,000 (subject to adjustments) for the acquisition of 100% equity interest in New Sun Investments Limited.

(b) On 24 July 2015, the Company, Power Heritage (which was at that time owned as to 83% by Mr. Rui Fubin, the Chairman and an executive Director) as the vendor and Shenwan Hongyuan Securities (H.K.) Limited ("SHSL") as the placing agent, entered into the placing and subscription and agreement ("Placing and Subscription Agreement"), pursuant to which the Company and Power Heritage had agreed to place through SHSL, on a best endeavour basis, up to 370,806,000 new ordinary shares of HK$0.01 each in the share capital of the Company ("Placing Shares"), to not less than six placees (being professional, institutional and other investors, who and whose ultimate beneficial owners are third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates), at a price of HK$1.95 per Placing Share ("Placing"), which represented: (i) a discount of approximately 11.36% to the closing price of HK$2.2 per Share as quoted on the Stock Exchange on the date of the Placing and Subscription Agreement; and (ii) a discount of approximately 7.93% to the average closing price of HK$2.118 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing and Subscription Agreement.

Power Heritage had conditionally agreed to subscribe ("Subscription") for a number of new ordinary shares of HK$0.01 each in the share capital of the Company ("Subscription Shares") (which were to be issued under the general mandate granted to the Directors by a resolution passed at the annual general meeting of the Company held on 30 April 2015), the number of which shall equal to the number of Placing Shares actually placed under the Placing and Subscription Agreement. The Subscription was subject to (i) the Stock Exchange granting listing of and permission to deal in all the Subscription Shares; (ii) the completion of the Placing having occurred pursuant to the terms of the Placing and Subscription Agreement; and (iii) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that would make the Subscription void, unenforceable or illegal, or restrict or prohibit the implementation of, or impose any additional material conditions or obligations with respect to the Subscription (other than such orders or decisions as would not have a material adverse effect on the legal validity of the Company and/or the vendor to proceed with the subscription).

On 29 July 2015, completion of the Placing took place as agreed among the Company, Power Heritage and SHSL and a total of 370,806,000 Placing Shares have been successfully placed at the Placing Price of HK$1.95 per Placing Share. Further, completion of the Subscription took place on 6 August 2015 and a total of 370,806,000 Subscription Shares were subscribed by Power Heritage at HK$1.95 per Subscription Share. The aggregate nominal value of the Subscription Shares was HK$3,708,060.

DIRECTORS' REPORT

The Company received gross proceeds from issue of such Subscription Shares of RMB578,258,000 (approximately HK$723,072,000) and net proceeds of approximately HK$697,064,000. The net subscription price per Subscription Share was HK$1.88. The Directors considered the Placing and Subscription a good opportunity to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company. The net proceeds were used as working capital of the Group.

Issue of Shares upon exercise of Warrants

On 9 April 2014, the Company and six subscribers ("Subscribers") who were individuals independent of and not connected with the Company and its connected persons, entered into subscription agreements, pursuant to which the Company has agreed to issue and the Subscribers have agreed to subscribe for a maximum of 150,000,000 warrants at an issue price of HK$0.01 per warrant. The closing price per share of the Company as at 9 April 2014 was HK$1.58. On 23 April 2014, the Company issued 150,000,000 warrants at HK$0.01 per warrant to the Subscribers. The warrants entitle the holders thereof to subscribe in cash up to an aggregate amount of RMB204,000,000 (approximately HK$255,000,000) for ordinary shares of the Company, and each warrant will carry the right to subscribe for one ordinary share of the Company at an initial subscription price of RMB1.36 (approximately HK$1.70) per ordinary share for a period of two years commencing from 23 April 2014. On 4 June 2015, the Company issued 20,000,000 ordinary shares upon the exercise of the subscription rights attached to the warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$34,000,000 for ordinary shares of the Company. On 16 June 2015, the Company issued 10,000,000 ordinary shares upon the exercise of the subscription rights attached to the warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$17,000,000 for ordinary shares of the Company. The aggregate nominal value of the new ordinary shares issued as mentioned above was HK$300,000. The Company received gross and net proceeds of approximately HK$51,000,000 from the issue of shares upon exercise of the warrants during the year ended 31 December 2015 which were used as working capital of the Group. As at 31 December 2015, warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$204,000,000 for ordinary shares of the Company remained outstanding.

Auditor

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2015. A resolution will be proposed for approval by shareholders at the AGM to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Rui Fubin
Chairman and Executive Director
Hong Kong, 30 March 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Jiangnan Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 119, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
Turnover	7	**9,167,273**	8,154,555
Cost of goods sold		**(7,685,477)**	(6,883,326)
Gross profit		**1,481,796**	1,271,229
Other income	8	**73,823**	58,442
Selling and distribution costs		**(202,727)**	(134,999)
Administrative expenses		**(179,185)**	(147,993)
Other expenses		**(30,732)**	(23,491)
Other losses	9	**(29,000)**	(21,450)
Share of loss of associates		**(1,139)**	(1,544)
Finance costs	10	**(243,316)**	(242,055)
Profit before taxation	11	**869,520**	758,139
Taxation	13	**(166,259)**	(132,123)
Profit for the year attributable to owners of the Company		**703,261**	626,016
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(6,257)**	(4,546)
Total comprehensive income for the year attributable to owners of the Company		**697,004**	621,470
Earnings per share	15		
— Basic		**RMB18.76 cents**	RMB19.77 cents
— Diluted		**RMB18.67 cents**	RMB19.77 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	16	**789,806**	601,990
Land use rights	17	**258,064**	203,939
Goodwill	18	**109,606**	–
Interests in associates	19	**14,267**	14,650
Loan to an associate	19	**19,773**	25,179
Available-for-sale investment	20	**7,090**	2,500
Deferred tax assets	29	**4,481**	5,072
Deposits paid for acquisition of property, plant and equipment		**31,088**	16,188
		1,234,175	869,518
Current assets			
Inventories	21	**3,269,050**	2,168,635
Trade and other receivables	22	**3,591,852**	2,708,697
Pledged bank deposits	23	**1,892,902**	1,304,504
Bank balances and cash	23	**2,131,286**	1,666,153
		10,885,090	7,847,989
Current liabilities			
Trade and other payables	24	**3,253,568**	2,409,990
Amounts due to directors	25	**5,593**	4,000
Bank borrowings — due within one year	26	**3,770,161**	2,922,221
Taxation payable		**116,470**	78,364
Obligation under a finance lease	27	**231**	210
		7,146,023	5,414,785
Net current assets		**3,739,067**	2,433,204
Total assets less current liabilities		**4,973,242**	3,302,722
Non-current liabilities			
Government grants	28	**6,594**	10,187
Deferred tax liabilities	29	**70,563**	62,297
Obligation under a finance lease	27	**160**	372
		77,317	72,856
		4,895,925	3,229,866
Capital and reserves			
Share capital	30	**32,951**	27,364
Reserves		**4,862,974**	3,202,502
		4,895,925	3,229,866

The consolidated financial statements on pages 62 to 119 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

Rui Fubin
DIRECTOR

Chu Hui
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Warrant reserve RMB'000 (Note 30 (d))	Shares held for share award scheme RMB'000 (Note 31)	Non-distributable reserve RMB'000 (Note b)	Statutory reserve RMB'000 (Note c)	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2014	24,964	345,081	148,696	–	–	77,351	192,059	(19,120)	1,516,625	2,285,656
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	–	(4,546)	–	(4,546)
Profit for the year	–	–	–	–	–	–	–	–	626,016	626,016
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(4,546)	626,016	621,470
Issue of shares (Note 30 (a))	2,515	488,031	–	–	–	–	–	–	–	490,546
Expense in connection with issue of shares (Note 30 (a))	–	(10,335)	–	–	–	–	–	–	–	(10,335)
Issue of warrants	–	–	–	1,200	–	–	–	–	–	1,200
Dividends recognised as distribution (Note 14)	–	–	–	–	–	–	–	–	(140,914)	(140,914)
Share re-purchased and cancelled (Note 30 (b))	(115)	(17,642)	–	–	–	–	–	–	–	(17,757)
Transfers	–	–	–	–	–	–	66,033	–	(66,033)	–
At 31 December 2014	27,364	805,135	148,696	1,200	–	77,351	258,092	(23,666)	1,935,694	3,229,866
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	–	(6,257)	–	(6,257)
Profit for the year	–	–	–	–	–	–	–	–	703,261	703,261
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(6,257)	703,261	697,004
Issue of shares upon acquisition of subsidiaries (Note 30 (c))	2,381	583,425	–	–	–	–	–	–	–	585,806
Issue of shares upon exercise of warrants (Note 30 (d))	240	40,836	–	(240)	–	–	–	–	–	40,836
Issue of shares upon subscription (Note 30 (e))	2,966	575,292	–	–	–	–	–	–	–	578,258
Expense in connection with issue of shares (Note 30 (e))	–	(20,799)	–	–	–	–	–	–	–	(20,799)
Purchase of shares under share award scheme (Note 31)	–	–	–	–	(20,374)	–	–	–	–	(20,374)
Dividends recognised as distribution (Note 14)	–	–	–	–	–	–	–	–	(194,672)	(194,672)
Transfers	–	–	–	–	–	–	83,111	–	(83,111)	–
At 31 December 2015	32,951	1,983,889	148,696	960	(20,374)	77,351	341,203	(29,923)	2,361,172	4,895,925

Notes:

(a) The special reserve represents the difference between the nominal value of the shares of the Company issued in exchange for the entire equity interest in Extra Fame Group Limited pursuant to a group reorganisation in 2012.

(b) The non-distributable reserve represents capitalisation of retained profit of Wuxi Jiangnan Cable Co., Ltd. ("無錫江南電纜有限公司") ("Wuxi Jiangnan Cable") for capital re-investment in Wuxi Jiangnan Cable in 2007.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	**2015 RMB'000**	2014 RMB'000
Operating activities			
Profit before taxation		**869,520**	758,139
Adjustments for:			
Interest income		**(51,012)**	(41,000)
Finance costs		**243,316**	242,055
Depreciation of property, plant and equipment		**73,087**	56,449
Loss on disposal of property, plant and equipment		**68**	450
Operating lease rentals in respect of land use rights		**6,284**	5,283
Release of government grants		**(3,593)**	(2,260)
Allowance for bad and doubtful debts		**24,834**	21,000
Share of loss of associates		**1,139**	1,544
Loss on fair value change of contingent consideration payable	9	**4,098**	–
Operating cash flows before movements in working capital		**1,167,741**	1,041,660
Increase in inventories		**(525,566)**	(326,414)
Increase in trade and other receivables		**(472,051)**	(401,324)
Increase in trade and other payables		**181,918**	264,936
Cash generated from operations		**352,042**	578,858
PRC income tax paid		**(142,359)**	(108,156)
Net cash generated from operating activities		**209,683**	470,702
Investing activities			
Release of pledged bank deposits		**3,296,205**	1,941,085
Interest received		**49,106**	41,000
Proceeds from disposal of property, plant and equipment		**6,016**	513
Repayment from an associate		**37**	8,083
Bank deposits pledged		**(3,676,215)**	(2,437,947)
Purchase of property, plant and equipment		**(46,353)**	(26,426)
Acquisition of subsidiaries	32	**(34,449)**	–
Deposits paid for acquisition of property, plant and equipment		**(28,896)**	(16,188)
Advance to an associate		**(41)**	(6,236)
Government grants received		**–**	8,000
Consideration paid for subsidiaries previously acquired		**–**	(77,925)
Additions to land use rights		**–**	(1,516)
Net cash used in investing activities		**(434,590)**	(567,557)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Financing activities		
New bank borrowings raised	**3,941,242**	4,489,634
Issue of shares	**619,094**	490,546
Advances from directors	**1,930**	55,486
Repayment of bank borrowings	**(3,388,252)**	(4,492,312)
Interest paid	**(243,316)**	(242,241)
Dividends paid	**(194,672)**	(140,914)
Expense in connection with issue of shares	**(20,799)**	(10,335)
Purchase of shares under share award scheme	**(20,374)**	–
Repayment to directors	**(337)**	(55,187)
Repayment of obligation under a finance lease	**(191)**	–
Proceeds from issue of warrants	**–**	1,200
Repurchase of shares	**–**	(17,757)
Net cash generated from financing activities	**694,325**	78,120
Net increase (decrease) in cash and cash equivalents	**469,418**	(18,735)
Cash and cash equivalents at beginning of the year	**1,666,153**	1,682,558
Effect of foreign exchange rate changes	**(4,285)**	2,330
Cash and cash equivalents at end of the year, represented by bank balances and cash	**2,131,286**	1,666,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. General

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

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

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

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

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
HKFRS 16	Leases[4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

HKFRS 9 "Financial instruments"

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

Key requirements of HKFRS 9 are described below:

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

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

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

- 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 2015

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 (e.g. the Group's equity investment that is currently classified as available-for-sale investment may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO").

The provisions of the CO which became effective on 3 March 2014 regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Companies Ordinance or Listing Rules but not under the CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(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; and

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(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 any accumulated impairment losses, if any.

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

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the 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 on a pro rata basis 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 for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Investments in associates *(continued)*

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

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

Investment in a subsidiary

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

Revenue recognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Property, plant and equipment

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

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

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

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

Leasing

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

The Group as lessee

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Land use rights and leasehold building

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

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

Borrowing costs

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

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

Research and development costs

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Inventories

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

Impairment losses of tangible assets

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

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

Effective interest method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

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

Available-for-sale financial assets

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

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

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

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of shares awarded at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

When trustee purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

When the trustee transfers the Company's shares to grantees upon vesting, the related costs of the granted shares vested are reversed from shares held under share award scheme. Accordingly, the related expense of the granted shares vested is reversed from share award reserve. The difference arising from such transfer is debited/credited to retained profits. At the end of the reporting period, the Group revises its estimates of the number of shares that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share award reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years 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 of the Group and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. Significant Accounting Policies *(continued)*

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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

Government grants

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

Retirement benefits costs

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

4. Capital Risk Management

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. Key Sources of Estimation Uncertainty

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

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

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

Impairment of goodwill

Determining whether goodwill is impaired required the Group to assess the recoverable amount of the CGU. The recoverable amount is the higher of fair value less costs to sell and the value in use. The recoverable amount is determined by an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation required the Group to estimate future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present values. Where the actual future cash flows are less than expected or when there is a revision to the estimated future cash flows due to changes in facts and circumstances, a material impairment loss may arise. At 31 December 2015, the carrying amount of goodwill is approximately RMB109,606,000. No impairment loss has been recognised. Details of the value in use calculation are disclosed in Note 18.

Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned. Change in these estimations may have a material impact on the results of the Group. At 31 December 2015, the carrying amount of property, plant and equipment is approximately RMB789,806,000 (2014: RMB601,990,000).

Impairment of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale was concluded. At 31 December 2015, the carrying amount of inventories are approximately RMB3,269,050,000 (2014: RMB2,168,635,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Estimated impairment of trade and other 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 2015, the carrying amount of trade and other receivables are approximately RMB3,591,852,000 (2014: RMB2,708,697,000) (net of allowance for bad and doubtful debts of RMB140,665,000 (2014: RMB115,831,000)).

6. Financial Instruments

Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**7,541,851**	5,671,072
Available-for-sale investment	**7,090**	2,500
Financial liabilities		
Amortised cost	**6,662,182**	4,975,479

Financial risk management objectives and policies

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

Interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Interest rate risk *(continued)*

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

If the interest rates on pledged bank deposits, bank balances and bank borrowings had been 25 basis points (2014: 25 basis points) lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2015 **RMB'000**	2014 RMB'000
Decrease in profit for the year	**7,103**	5,837

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

Currency risk

The Group has foreign currency sales and purchases during the year which exposed the Group to foreign currency risk. During the year ended 31 December 2015, approximately 3% (2014: 4%) of the Group's sales are denominated in currency other than the functional currency of the group entity which it relates.

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

	2015		2014	
	Assets **RMB'000**	**Liabilities** **RMB'000**	Assets RMB'000	Liabilities RMB'000
United States dollars	**355,258**	**271,016**	61,751	45,029
Hong Kong dollars	**14,196**	**278,702**	87,822	143,613
Singapore dollars	**97,935**	**–**	135,398	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Currency risk *(continued)*

The Group is mainly exposed to currency risk of United States dollars, Hong Kong dollars and Singapore dollars. The following table details the Group's sensitivity to a 5% (2014: 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% (2014: 5%) change in foreign currency rates. If the RMB strengthens 5% (2014: 5%) against the relevant foreign currencies, the (decrease) increase in profit for the year is as follows:

	2015 **RMB'000**	2014 RMB'000
United States dollars	**(3,580)**	(711)
Hong Kong dollars	**11,242**	2,371
Singapore dollars	**(4,162)**	(5,754)

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

Credit risk

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

The Group has concentration of credit risk in relation to trade and bills receivables from top five customers amounting to RMB517,097,000 (2014: RMB274,563,000), representing approximately 15.2% (2014: 10.4%) of the total trade and bills receivables at 31 December 2015. The largest trade and bills receivables from a customer by itself accounted for approximately 8.1% (2014: 3.7%) of the total trade and bills receivables at 31 December 2015. The details of trade and bills receivables which are past due but not impaired at the end of the reporting period are disclosed in Note 22.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk

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

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

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	1 year to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2015						
Trade and other payables	**–**	**2,886,428**	**–**	**–**	**2,886,428**	**2,886,428**
Amounts due to directors	**–**	**5,593**	**–**	**–**	**5,593**	**5,593**
Discounted bills with recourse	**–**	**96,930**	**–**	**–**	**96,930**	**96,930**
Bank borrowings:						
— variable rate	**4.29**	**855,940**	**348,839**	**–**	**1,204,779**	**1,129,884**
— fixed rate	**4.67**	**1,706,665**	**876,413**	**–**	**2,583,078**	**2,543,347**
		5,551,556	**1,225,252**	**–**	**6,776,808**	**6,662,182**
Obligation under a finance lease	**4.85**	**122**	**123**	**163**	**408**	**391**
		5,551,678	**1,225,375**	**163**	**6,777,216**	**6,662,573**
At 31 December 2014						
Trade and other payables	–	2,036,958	–	–	2,036,958	2,036,958
Construction work payables	–	–	12,300	–	12,300	12,300
Amounts due to directors	–	4,000	–	–	4,000	4,000
Discounted bills with recourse	–	158,218	–	–	158,218	158,218
Bank borrowings:						
— variable rate	5.47	343,540	306,222	–	649,762	634,203
— fixed rate	6.22	1,012,575	1,184,001	–	2,196,576	2,129,800
		3,555,291	1,502,523	–	5,057,814	4,975,479
Obligation under a finance lease	4.85	117	117	388	622	582
		3,555,408	1,502,640	388	5,058,436	4,976,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. Financial Instruments *(continued)*

Fair value of financial instruments

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

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

7. Turnover and Segment Information

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

- Power cables
- Wires and cables for electrical equipment
- Bare wires
- Special cables (including rubber cables, flexible fire proof cables and others)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. Turnover and Segment Information *(continued)*

The information of segment results are as follows:

	2015 RMB'000	2014 RMB'000
Revenue		
— power cables	**6,390,004**	5,415,676
— wires and cables for electrical equipment	**1,705,223**	1,592,510
— bare wires	**502,623**	464,286
— special cables	**569,423**	682,083
	9,167,273	8,154,555
Cost of goods sold		
— power cables	**5,310,637**	4,519,992
— wires and cables for electrical equipment	**1,480,965**	1,412,508
— bare wires	**432,015**	420,389
— special cables	**461,860**	530,437
	7,685,477	6,883,326
Segment results		
— power cables	**1,079,367**	895,684
— wires and cables for electrical equipment	**224,258**	180,002
— bare wires	**70,608**	43,897
— special cables	**107,563**	151,646
	1,481,796	1,271,229

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

	2015 RMB'000	2014 RMB'000
Reportable segment results	**1,481,796**	1,271,229
Unallocated income and expenses		
— Other income	**73,823**	58,442
— Selling and distribution costs	**(202,727)**	(134,999)
— Administrative expenses	**(179,185)**	(147,993)
— Other expenses	**(30,732)**	(23,491)
— Other losses	**(29,000)**	(21,450)
— Share of loss of associates	**(1,139)**	(1,544)
— Finance costs	**(243,316)**	(242,055)
Profit before taxation	**869,520**	758,139

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. Turnover and Segment Information *(continued)*

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

Geographical information

More than 90% of the Group's sales were made to customers in the PRC for both years. More than 90% of the Group's non-current assets were located in the PRC at 31 December 2015 and 2014.

Information about major customers

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

	2015 RMB'000	2014 RMB'000
Customer A[1]	**1,328,919**	N/A[2]

[1] Revenue from sales of wires and cables.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. Other Income

	2015 RMB'000	2014 RMB'000
Interest income	**51,012**	41,000
Government subsidies (note)	**10,493**	13,412
Others	**12,318**	4,030
	73,823	58,442

Note: Included in the amount are RMB927,000 (2014: RMB927,000) and RMB2,666,000 (2014: RMB1,333,000) representing deferred income on government subsidies recognised during the year in relation to capital expenditure on property, plant and equipment over the useful lives of the related assets and technological research and development projects over the projects lives, respectively. The remaining amount represents the incentive subsidies provided by the PRC local authorities to the Group to encourage business development in the Yixing region and research and energy reduction activities conducted by the Group, all of them had no specific conditions imposed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

9. Other Losses

	2015 RMB'000	2014 RMB'000
Allowance for bad and doubtful debts	**24,834**	21,000
Loss on disposal of property, plant and equipment	**68**	450
Loss on fair value change of contingent consideration payables (note)	**4,098**	–
	29,000	21,450

Note:

On 29 April 2015, the Group acquired 100% equity interest in New Sun Investments Limited ("New Sun") from Nexus NS Limited, an independent third party, for a consideration of approximately RMB382,503,000 and also acquired 100% equity interest in Kai Da Investments Limited ("Kai Da") from KDG Investment Limited, an independent third party, for a consideration of approximately RMB369,903,000, respectively.

Based on the sale and purchase agreement, the Group is required to pay a maximum amount of RMB34,979,000 if the audited net operating profit after tax of the wholly-owned subsidiary of New Sun in the PRC ("New Sun China") for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, is equal to or more than RMB51,719,700. The fair value of this obligation at the date of the acquisition based on valuation report from an independent qualified professional valuer was RMB31,600,000.

Based on the sale and purchase agreement, the Group is required to pay a maximum amount of RMB29,719,000 if the audited net operating profit after tax of the wholly-owned subsidiary of Kai Da in the PRC ("Kai Da China"), for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, is equal to or more than RMB49,380,000. The fair value of this obligation at the date of the acquisition based on valuation report from an independent qualified professional valuer was RMB29,000,000.

Included in the amount are loss on fair value change of contingent consideration payable of RMB3,379,000 from New Sun Group and loss on fair value change of contingent consideration payable of RMB 719,000 from Kai Da Group. The contingent consideration payables are classified as liabilities under trade and other payables (Note 24) and the fair value change between the date of the acquisition and 31 December 2015 is recognised in profit and loss.

10. Finance Costs

	2015 RMB'000	2014 RMB'000
Interests on bank loans	**243,316**	242,055

No borrowing costs capitalised during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

11. Profit Before Taxation

	2015 RMB'000	2014 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (Note 12)	**2,998**	3,342
Other staff cost:		
Salaries and other benefits	**198,082**	133,801
Contributions to retirement benefit scheme	**25,364**	18,103
Total staff costs	**226,444**	155,246
Less: Staff costs included in research and development costs	**(16,349)**	(11,689)
	210,095	143,557
Depreciation of property, plant and equipment	**73,087**	56,449
Less: Depreciation included in research and development costs	**(2,848)**	(2,871)
	70,239	53,578
Auditor's remuneration	**3,483**	2,550
Acquisition-related costs (included in other expenses)	**176**	–
Cost of inventories recognised as expenses	**7,685,477**	6,883,326
Minimum lease payment under operating lease in respect of property	**3,098**	3,947
Operating lease rentals in respect of land use rights	**6,284**	5,283
Research and development costs (included in other expenses)	**30,556**	23,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

	Fees RMB'000	Basic salaries and allowances RMB'000	Bonus RMB'000	Retirement benefits scheme contribution RMB'000	Total RMB'000
For the year ended 31 December 2015					
Executive directors:					
Chu Hui (Note a)	**–**	**608**	**–**	**18**	**626**
Rui Fubin (Note b)	**–**	**846**	**–**	**10**	**856**
Jiang Yongwei	**–**	**370**	**–**	**10**	**380**
Xia Yafang	**–**	**428**	**–**	**10**	**438**
Hao Minghui	**–**	**360**	**–**	**10**	**370**
Independent non-executive directors:					
Poon Yick Pang Philip	**164**	**–**	**–**	**–**	**164**
He Zhisong	**82**	**–**	**–**	**–**	**82**
Yang Rongkai	**82**	**–**	**–**	**–**	**82**
	328	**2,612**	**–**	**58**	**2,998**
For the year ended 31 December 2014					
Executive directors:					
Chu Hui (Note a)	–	602	–	19	621
Rui Fubin (Note b)	–	843	–	9	852
Rui Yiping (Note c)	–	316	–	4	320
Jiang Yongwei	–	361	–	8	369
Xia Yafang	–	421	–	8	429
Hao Minghui	–	361	–	–	361
Independent non-executive directors:					
Philip Poon Yick Pang	158	–	–	–	158
He Zhisong	79	–	–	–	79
Yang Rongkai	79	–	–	–	79
Wu Changshun (note d)	74	–	–	–	74
	390	2,904	–	48	3,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Notes:

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

(b) Mr. Rui Fubin is also the chairman of the board of directors and CEO of the Company and his emoluments disclosed above include those services rendered by him as the chairman and CEO (chief executive) of the Company. He resigned as CEO of the Company on 7 July 2014.

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

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

The five highest paid individuals for the year ended 31 December 2015 included four (2014: four) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2014: one) individual, for the year were as follows:

	2015 RMB'000	2014 RMB'000
Employees		
— basic salaries and allowances	**1,079**	947
— bonus	**–**	–
— retirement benefits scheme contributions	**15**	13
	1,094	960

The emoluments of the one (2014: one) individual with the highest emoluments is within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$1,000,000 to HK$1,500,000	**1**	1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. Taxation

	2015 RMB'000	2014 RMB'000
The charge (credit) comprises:		
PRC income tax	**180,152**	132,144
Deferred taxation credit (Note 29)	**(13,893)**	(21)
Taxation charge for the year	**166,259**	132,123

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onward. Pursuant to the approval published on the website of the Yixing Provincial Commission of Science and Technology, Wuxi Jiangnan Cable was endorsed as a High and New Technology Enterprise on 4 March 2009 (renewed on 6 July 2015) and was entitled to a reduced PRC income tax rate of 15% till next renewal in 2018. Jiangsu Zhongmei Cable Group Co., Ltd. ("江蘇中煤電纜有限公司") ("Zhongmei Cable") was also entitled to a reduced PRC income tax rate of 15% till next renewal in 2017.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. Taxation *(continued)*

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**869,520**	758,139
Tax at the applicable tax rate (Note)	**217,380**	189,535
Tax effect of expenses not deductible for tax purposes	**11,976**	8,700
Tax effect of income not taxable for tax purposes	**(3,183)**	(1,512)
Tax effect of tax concession granted to PRC subsidiaries	**(74,712)**	(79,071)
Tax effect of research and development super-deduction	**–**	(1,463)
Tax effect of deductible temporary differences not recognised	**2,874**	2,586
Tax effect of share of loss of associates	**308**	417
Withholding tax on undistributed earnings	**13,756**	13,725
Others	**(2,140)**	(794)
Taxation for the year	**166,259**	132,123

Note: The application income tax rate represents PRC income tax rate at 25% (2014: 25%) for the year ended 31 December 2015 as the Group's operations are substantially based in the PRC.

14. Dividends

	2015 RMB'000	2014 RMB'000
Dividends recognised as distribution during the year:		
2015 Interim dividend — HK2.5 cents (2014: 2014 Interim dividend HK2.5 cents) per share	**83,387**	60,739
2014 Final dividend — HK3.7 cents (2013: 2013 Final dividend of HK3.3 cents) per share	**111,285**	80,175
	194,672	140,914

Subsequent to the end of the reporting period, a final dividend of HK3.1 cents per share in respect of the year ended 31 December 2015 (2014: HK3.7 cents) has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. Earnings per Share

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

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**703,261**	626,016

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**3,749,256**	3,166,317
Effect of dilutive potential ordinary shares: Warrants	**17,587**	–
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**3,766,843**	3,166,317

For the year ended 31 December 2015, the weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share has been adjusted for the issue of warrants that took place on 23 April 2014.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
THE GROUP						
COST						
At 1 January 2014	318,809	356,760	23,782	24,686	112,757	836,794
Currency realignment	(88)	(1,213)	(586)	(215)	–	(2,102)
Additions	48	7,350	9,063	1,789	10,018	28,268
Disposals	–	(821)	(1,122)	(506)	–	(2,449)
Transfer	27,445	1,384	–	3	(28,832)	–
At 31 December 2014	346,214	363,460	31,137	25,757	93,943	860,511
Currency realignment	–	–	(256)	(6)	–	(262)
Additions	–	18,976	4,875	722	35,776	60,349
Acquisition of subsidiaries (Note 32)	125,150	75,181	2,638	3,730	50	206,749
Disposals	(21)	(12,141)	(2,991)	(2)	(556)	(15,711)
Transfer	3,506	5,461	951	7,301	(17,219)	–
At 31 December 2015	474,849	450,937	36,354	37,502	111,994	1,111,636
DEPRECIATION						
At 1 January 2014	53,991	122,799	12,502	14,592	–	203,884
Currency realignment	(8)	(4)	(193)	(121)	–	(326)
Provided for the year	16,580	32,101	5,253	2,515	–	56,449
Eliminated on disposal	–	(707)	(331)	(448)	–	(1,486)
At 31 December 2014	70,563	154,189	17,231	16,538	–	258,521
Currency realignment	–	–	(101)	(50)	–	(151)
Provided for the year	22,852	41,137	5,568	3,530	–	73,087
Eliminated on disposal	(1)	(6,834)	(2,791)	(1)	–	(9,627)
At 31 December 2015	93,414	188,492	19,907	20,017	–	321,830
CARRYING VALUES						
At 31 December 2015	381,435	262,445	16,447	17,485	111,994	789,806
At 31 December 2014	275,651	209,271	13,906	9,219	93,943	601,990

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

At 31 December 2015, the Group pledged certain of its buildings and machinery with carrying value of RMB209,650,000 and RMB97,442,000, respectively, (2014: RMB108,936,000 and RMB112,052,000, respectively) to certain banks to secure credit facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

16. Property, Plant and Equipment *(continued)*

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

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

17. Land Use Rights

	2015 RMB'000	2014 RMB'000
Carrying amount		
At beginning of the year	**209,220**	212,987
Addition	**–**	1,516
Acquisition of subsidiaries (Note 32)	**61,900**	–
Charge to profit or loss for the year	**(6,284)**	(5,283)
At end of the year	**264,836**	209,220
Analysed for reporting purposes as:		
Current portion (Note 22)	**6,772**	5,281
Non-current portion	**258,064**	203,939
	264,836	209,220

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

At 31 December 2015 and 31 December 2014, the Group has pledged the land use rights with a carrying amount of RMB220,246,000 (2014: RMB171,454,000) to certain banks to secure the credit facilities granted to the Group.

18. Goodwill

	RMB'000
At 1 January 2014 and 1 January 2015	**–**
Arising on acquisition of subsidiaries (Note 32)	**109,606**
At 31 December 2015	**109,606**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. Goodwill *(continued)*

For the purpose of impairment testing, goodwill arising from business combinations has been allocated to the following cash generating units ("CGUs"):

	2015 RMB'000
New Sun	**54,831**
Kai Da	**54,775**
At 31 December 2015	**109,606**

During the year ended 31 December 2015, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amount of the above CGUs and its major underlying assumptions are summarised below:

The recoverable amount of these CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections covering a 5-year period, based on financial budgets approved by management and a discount rate of 10.61% per annum for New Sun and 10.34% per annum for Kai Da. Cash flows beyond the 5-year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

19. Interests in Associates/Loan to an Associate

	2015 RMB'000	2014 RMB'000
Cost of investments in associates, unlisted	**15,266**	15,322
Impairment loss recognised	**(207)**	(262)
Share of post-acquisition losses and other comprehensive expense, net of dividends received	**(792)**	(410)
	14,267	14,650

	2015 RMB'000	2014 RMB'000
Loan to an associate	**24,873**	29,522
Less: Share of post-acquisition losses that are in excess of the cost of the investment	**(5,100)**	(4,343)
	19,773	25,179

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For the year ended 31 December 2015

19. Interests in Associates/Loan to an Associate *(continued)*

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

Name of entity	Form of entity	Country of incorporation/ establishment	Principal place of operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
				2015	2014	**2015**	2014	
江蘇和順典當有限公司 (“江蘇和順”)	Incorporated	PRC	PRC	**30%**	30%	**30%**	30%	Business of pawn broking
Wuxi Tech (Proprietary) Ltd. ("Wuxi Tech")	Incorporated	South Africa	South Africa	**49%**	49%	**49%**	49%	Manufacture of electrical cables

Summarised financial information of associates

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

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

江蘇和順

	2015 RMB'000	2014 RMB'000
Current assets	**50,354**	51,695
Non-current assets	**541**	552
Current liabilities	**(3,338)**	(3,413)
Net assets	**47,557**	48,834
Revenue	**659**	4,078
Loss and total comprehensive expense for the year	**(1,274)**	(1,794)

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

	2015 RMB'000	2014 RMB'000
Net assets of 江蘇和順	**47,557**	48,834
Proportion of the Group's ownership interest in 江蘇和順	**30%**	30%
Carrying amount of the Group's interest in 江蘇和順	**14,267**	14,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

19. Interests in Associates/Loan to an Associate *(continued)*

Wuxi Tech

	2015 RMB'000	2014 RMB'000
Current assets	**52,574**	43,879
Non-current assets	**6,234**	9,086
Current liabilities	**(41,841)**	(30,920)
Non-current liabilities	**(24,872)**	(29,522)
Net liabilities	**(7,905)**	(7,477)
Revenue	**52,971**	27,032
Loss and total comprehensive expense for the year	**(1,545)**	(2,052)

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

	2015 RMB'000	2014 RMB'000
Net liabilities of Wuxi Tech	**(7,905)**	(7,477)
Proportion of the Group's ownership interest in Wuxi Tech	**49%**	49%
	(3,873)	(3,664)
Effect of net liabilities not recognised by the Group	**3,873**	3,664
Carrying amount of the Group's interest in Wuxi Tech	**–**	–

20. Available-for-sale investment

The amount represents the Group's 0.82% (2014: 0.38%) equity investment in an unlisted private enterprise in the PRC. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

21. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**42,641**	88,402
Work in progress	**2,294,023**	1,236,943
Finished goods	**932,386**	843,290
	3,269,050	2,168,635

At 31 December 2014, the Group pledged certain of its inventories with an aggregate carrying value of RMB315,000,000 (2015: Nil) to certain banks to secure credit facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. Trade and other receivables

	2015 RMB'000	2014 RMB'000
Trade receivables, net	**3,121,978**	2,395,729
Bills receivables	**282,927**	233,472
	3,404,905	2,629,201
Current portion of land use rights (Note 17)	**6,772**	5,281
Deposits paid to suppliers	**52,054**	7,810
Prepayments	**28,010**	13,298
Staff advances	**4,648**	4,933
Tender deposits	**63,147**	40,737
Value-added tax receivables	**2,478**	150
Other receivables	**29,838**	7,287
	3,591,852	2,708,697

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

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

	2015 RMB'000	2014 RMB'000
Age		
0 to 90 days	**1,982,375**	1,661,286
91 to 180 days	**659,752**	673,807
181 to 365 days	**488,725**	259,001
Over 365 days	**274,053**	35,107
	3,404,905	2,629,201

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB1,310,035,000 (2014: RMB1,076,518,000) at 31 December 2015, which are past due at the end of the reporting period for which the Group has not provided for impairment loss. At the end of each reporting period, the management will individually assess the recoverability of its trade debtors and consider whether any amounts are individually impaired and provided for impairment loss. Except for those trade debts that considered to be individually impaired, the remaining trade and bills receivables that are past due but not impaired, in the opinion of the management are recoverable as there has been continuing settlement from these customers. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. Trade and other receivables *(continued)*

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

	2015 RMB'000	2014 RMB'000
Age		
0 to 90 days	**88,865**	128,249
91 to 180 days	**479,108**	654,161
181 to 365 days	**468,009**	259,001
Over 365 days	**274,053**	35,107
	1,310,035	1,076,518

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

At 31 December 2015, trade receivables of RMB96,930,000 (2014: RMB158,218,000) have been discounted to the banks with recourse. Accordingly, the Group continues to include these discounted receivables and has recognised the cash received as bank borrowing with the same amount (see Note 26) until maturity.

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

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

Movement in the allowance for bad and doubtful debts:

	2015 RMB'000	2014 RMB'000
At beginning of the year	**115,831**	94,831
Allowance for the year	**24,834**	21,000
At end of the year	**140,665**	115,831

Included in the allowance for bad and doubtful debts are individually impaired trade and other receivables with an aggregate balance of RMB140,665,000 (2014: RMB115,831,000) at 31 December 2015, which have been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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For the year ended 31 December 2015

22. Trade and other receivables *(continued)*

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

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

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

	2015 **RMB'000**	2014 RMB'000
United States dollars	**11,135**	16,164
Hong Kong dollars	**427**	215
Singapore dollars	**87,062**	98,160

23. Bank Balances and Cash/Pledged Bank Deposits

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging 0.01% to 2.60% per annum (2014: 0.01% to 4.40% per annum) at 31 December 2015.

The pledged bank deposits carry interest at the prevailing market rate ranging 0.16% to 2.30% per annum (2014: 3.30% to 5.50% per annum) at 31 December 2015.

At 31 December 2015 and 31 December 2014, the entire pledged bank deposits represents deposits pledged to banks to secure the short-term bank facilities drawn and the issuance of bills payable by the Group.

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

	2015 **RMB'000**	2014 RMB'000
United States dollars	**344,123**	45,587
Hong Kong dollars	**13,769**	87,607
Singapore dollars	**10,873**	37,238

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For the year ended 31 December 2015

24. Trade and Other Payables

	2015 RMB'000	2014 RMB'000
Trade payables	**820,216**	480,408
Bills payables	**1,756,141**	1,512,183
	2,576,357	1,992,591
Payroll and welfare accruals	**108,660**	69,149
Receipts in advances from customers	**314,473**	244,493
Cash consideration payables (Note 32)	**66,000**	–
Contingent consideration payables (Note 32)	**64,698**	–
Construction work payables	**13,257**	12,300
Other tax payables	**22,312**	21,357
Other deposits	**944**	398
Other payables and accruals	**86,867**	69,702
	3,253,568	2,409,990

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

	2015 RMB'000	2014 RMB'000
Age		
0 to 90 days	**2,295,705**	1,844,527
91 to 180 days	**222,658**	121,705
181 to 365 days	**49,444**	11,220
Over 1 year	**8,550**	15,139
	2,576,357	1,992,591

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

	2015 RMB'000	2014 RMB'000
United States dollars	**223,613**	180
Hong Kong dollars	**1,634**	679

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25. Amounts due to Directors

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

26. Bank Borrowings — due within One Year

	2015 RMB'000	2014 RMB'000
Secured	**1,000,519**	576,962
Secured and guaranteed by a director of the Company	**–**	32,000
Secured and guaranteed by independent third parties	**400,000**	427,000
Unsecured	**627,403**	460,669
Unsecured and guaranteed by independent third parties	**1,742,239**	1,425,590
	3,770,161	2,922,221
The bank borrowings comprise:		
Variable rate borrowings	**1,129,884**	634,203
Fixed rate borrowings	**2,543,347**	2,129,800
Discounted bills with recourse (Note 22)	**96,930**	158,218
	3,770,161	2,922,221

At 31 December 2015, the fixed rate bank borrowings carried interest ranging 1.14% to 8% per annum (2014: 5.60% to 6.90% per annum).

At 31 December 2015, the variable rate bank borrowings carried interest ranging from 3-month LIBOR +1% to 140% of PBOC rate per annum (2014: 90% of PBOC rate to 120% of PBOC rate per annum).

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

	2015 RMB'000	2014 RMB'000
United States dollars	**47,403**	44,849
Hong Kong dollars	**277,068**	142,934

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26. Bank Borrowings — due within One Year *(continued)*

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

	2015 RMB'000	2014 RMB'000
For bank borrowings:		
— property, plant and equipment	**307,092**	220,988
— land use rights	**220,246**	171,454
— inventories	**–**	315,000
For bank borrowings and bills payables:		
— pledged bank deposits	**1,892,902**	1,304,504
	2,420,240	2,011,946

27. Obligation under a Finance Lease

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

	Minimum lease payments		**Present value of minimum lease payments**	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Amounts payable under a finance lease				
Within one year	**245**	234	**231**	210
In more than one year and not more than five years	**163**	388	**160**	372
	408	622	**391**	582
Less: future finance charges	**(17)**	(40)	**n/a**	n/a
Present value of lease obligation	**391**	582	**391**	582
Less: amounts due for settlement within 12 months (shown under current liabilities)			**(231)**	(210)
Amounts due for settlement after 12 months			**160**	372

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

Financial lease obligation is denominated in Hong Kong dollars.

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28. Government Grants

	2015 RMB'000	2014 RMB'000
At beginning of the year	**10,187**	4,447
Addition during the year	**–**	8,000
Release during the year	**(3,593)**	(2,260)
At end of the year	**6,594**	10,187

The government grants represented government subsidies received by the Group in relation to capital expenditure on property, plant and equipment and the Group's technological research and development projects. During the year ended 31 December 2014, the Group received government subsidies of RMB8,000,000 relating to the Group's technological research and development project. The relevant conditions of these subsidies were fulfilled before recognition and such subsidies were non-recurring in nature. The amounts had been treated as deferred income and will be transferred to income over the useful lives of the relevant assets and the projects lives.

29. Deferred Taxation

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

	Accelerated tax depreciation RMB'000	**Tax on undistributed earnings** RMB'000	**Revaluation of assets** RMB'000	**Total** RMB'000
At 1 January 2014	(6,559)	38,630	25,175	57,246
Charged (credited) to profit or loss for the year (Note 13)	1,487	13,725	(841)	14,371
Released upon dividend declared	–	(14,392)	–	(14,392)
At 31 December 2014	(5,072)	37,963	24,334	57,225
Acquisition of subsidiaries (Note 32)	–	–	22,750	22,750
Charged (credited) to profit or loss for the year (Note 13)	591	13,756	(2,000)	12,347
Released upon dividend declared	–	(26,240)	–	(26,240)
At 31 December 2015	(4,481)	25,479	45,084	66,082

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**4,481**	5,072
Deferred tax liabilities	**(70,563)**	(62,297)
	(66,082)	(57,225)

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29. Deferred Taxation *(continued)*

Deferred tax liability on the undistributed profits of the PRC subsidiaries earned during the year ended 31 December 2015 have been accrued at the tax rate of 10% (2014: 10%) on the expected dividend stream of 25% out of the undistributed profit of the PRC subsidiaries for each year which is determined by the directors of the Company. At 31 December 2015, an amount of approximately RMB254,790,000 (2014: RMB379,630,000) of the profits of the PRC subsidiaries has been provided in respect of such withholding tax. No deferred tax liability has been recognised in respect of the remaining balance of undistributed profits amounting to RMB764,370,000 (2014: RMB1,138,890,000).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB140,665,000 (2014: RMB115,831,000) in respect of its allowance for bad and doubtful debts. No deferred tax asset has been recognised in relation to such deductible temporary difference as, in the opinion of the directors of the Company, that allowance for bad and doubtful debts is not highly probable to be utilised as that amount is subject to approval by the relevant tax authority in the PRC and not intended to be claimed by the Group in the foreseeable future.

30. Share Capital

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

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2014, 31 December 2014 and 31 December 2015	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2014	3,077,200,000	30,772,000	24,964
Issue of shares (Note a)	317,950,000	3,179,500	2,515
Shares re-purchased and cancelled (Note b)	(14,570,000)	(145,700)	(115)
At 31 December 2014 and 1 January 2015	3,380,580,000	33,805,800	27,364
Issue of shares upon acquisition of subsidiaries (Note c) (Note 32)	297,480,000	2,974,800	2,381
Issue of shares upon exercise of warrants (Note d)	30,000,000	300,000	240
Issue of shares upon subscription (Note e)	370,806,000	3,708,060	2,966
At 31 December 2015	4,078,866,000	40,788,660	32,951

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30. Share Capital *(continued)*

Notes:

(a) On 11 September 2014, the Company entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue 317,950,000 shares of HK$0.01 each ("2014 Subscription Shares") to Power Heritage Group Limited, a controlling shareholder (has the meaning under the Listing Rules) of the Company ("Power Heritage") and Power Heritage conditionally agreed to subscribe for 317,950,000 2014 Subscription Shares in cash at a subscription price of HK$1.95 per 2014 Subscription Share. Completion of the subscription took place on 19 September 2014 and the Company received gross proceeds from issue of such 2014 Subscription Shares of RMB490,546,000 (approximately HK$620,003,000). Expenses directly incurred for the issue of the 2014 Subscription Shares amounting to RMB10,335,000 (approximately HK$13,062,000) were recognised in equity.

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

(c) On 29 April 2015, the Company allotted and issued (i) 148,740,000 new shares of HK$0.01 each of the Company to Nexus NS Limited as partial consideration for the acquisition of 100% equity interest in New Sun; and (ii) 148,740,000 new shares of HK$0.01 each of the Company to KDG Investment Limited as partial consideration for the acquisition of 100% equity interest in Kai Da.

(d) On 23 April 2014, the Company issued 150,000,000 warrants at HK$0.01 per warrant to six subscribers. The warrants entitle the holders thereof to subscribe in cash up to an aggregate amount of RMB204,000,000 (approximately HK$255,000,000) for shares of the Company, and each warrant will carry the right to subscribe for one share of the Company at an initial subscription price of RMB1.36 (approximately HK$1.70) per share for a period of two years commencing from 23 April 2014. On 4 June 2015, the Company issued 20,000,000 shares upon the exercise of the subscription rights attached to the warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$34,000,000 for shares of the Company. On 16 June 2015, the Company issued 10,000,000 shares upon the exercise of the subscription rights attached to the warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$17,000,000 for shares of the Company. As at 31 December 2015, warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$204,000,000 for shares of the Company remained outstanding.

(e) On 24 July 2015, the Company, Power Heritage (which was at that time owned as to 83% by Mr. Rui Fubin, the Chairman and an executive Director) as the vendor and Shenwan Hongyuan Securities (H.K.) Limited ("SHSL") as the placing agent, entered into the placing and subscription agreement ("Placing and Subscription Agreement"), pursuant to which, among others, the Company and Power Heritage had agreed to place through SHSL, on a best endeavour basis, up to 370,806,000 new ordinary shares of HK$0.01 each in the share capital of the Company ("Placing Shares"), to not less than six placees (being professional, institutional and other investors, who and whose ultimate beneficial owners are third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates), at a price of HK$1.95 per Placing Share. Power Heritage had conditionally agreed to subscribe ("Subscription") for a number of new ordinary shares of HK$0.01 each in the share capital of the Company ("Subscription Shares"), the number of which shall equal to the number of Placing Shares actually placed under the Placing and Subscription Agreement. Completion of placing of a total of 370,806,000 shares of HK$0.01 each at the price of HK$1.95 per Placing Share took place on 29 July 2015. Completion of the Subscription took place on 6 August 2015 and the Company received gross proceeds from issue of such Subscription Shares of RMB578,258,000 (approximately HK$723,072,000). Expenses directly incurred for the issue of the Subscription Shares amounting to RMB20,799,000 (approximately HK$26,008,000) was recognised in equity.

All the ordinary shares issued during the years ended 31 December 2015 and 2014 rank pari passu with the then existing shares in all respects.

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31. Share Award Scheme

The purposes of the share award scheme are to recognise the contributions by the Group's employees, executives, officers or directors and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the board of directors on 9 September 2015. Pursuant to the share award scheme, existing shares will be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the scheme. When the selected participant has satisfied all vesting conditions specified by the board at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

During the year ended 31 December 2015, 15,040,000 ordinary shares of the Company were acquired by the trustee at a total consideration of HK$24,720,000 (approximately RMB20,374,000). No share was awarded under the share award scheme during the year ended 31 December 2015.

32. Acquisition of Subsidiaries

(i) Acquisition of New Sun

On 29 April 2015, the Group acquired 100% equity interest in New Sun from Nexus NS Limited, an independent third party, for a consideration of approximately RMB382,503,000, which was satisfied by (i) allotment and issue, credited as fully paid, of 148,740,000 ordinary shares of the Company, representing consideration of approximately RMB292,903,000; (ii) RMB58,000,000 in cash; and (iii) subject to adjustment, a maximum amount of RMB34,979,000 payable upon fulfillment of the profit guarantee with fair value of RMB31,600,000 at the date of the acquisition. New Sun is principally engaged in manufacture of and trading in wires and cables and related raw materials in the PRC. The acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB54,831,000. Acquisition-related costs incurred were insignificant and were recognised as expenses for the year ended 31 December 2015.

Consideration transferred

	RMB'000
Consideration shares issued	292,903
Cash consideration at completion date	20,000
Cash consideration payable (Note a)	38,000
Contingent consideration payable (Note b)	31,600
Total	382,503

Notes:

(a) The maximum amount of RMB38,000,000 shall be settled by the Group in cash on the 10th business day after 31 December 2016 or the date on which all the relevant external guarantees provided by New Sun China and all the relevant account receivables of New Sun China as set out in the sale and purchase agreement are fully released and collected (whichever is earlier), or such other date as agreed by Nexus NS Limited and the Group in writing.

(b) Based on the sale and purchase agreement, the Group is required to pay a maximum amount of RMB34,979,000 if the audited net operating profit after tax of New Sun China for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, is equal to or more than RMB51,719,700. RMB31,600,000 represented the fair value of this obligation at the date of the acquisition based on valuation report from an independent qualified professional valuer.

The contingent consideration payable is classified as a liability under trade and other payables and loss on fair value change of RMB3,379,000 between the date of the acquisition and 31 December 2015 is recognised as profit or loss under other losses.

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32. Acquisition of Subsidiaries *(continued)*

(i) Acquisition of New Sun *(continued)*

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

	RMB'000
Property, plant and equipment	102,505
Land use rights	33,200
Inventories	280,626
Trade and other receivables	198,760
Pledged bank deposits	134,082
Bank balances and cash	4,621
Trade and other payables	(296,397)
Bank borrowings — due within one year	(115,700)
Taxation payable	(108)
Deferred tax liabilities	(13,917)
	327,672

The trade and other receivables acquired with a fair value of RMB198,760,000 had gross contractual amounts of RMB198,760,000.

Goodwill arising from acquisition

	RMB'000
Consideration transferred	382,503
Less: Net assets acquired	(327,672)
	54,831

Goodwill arose in the acquisition of New Sun because the acquisition has synergetic effect and increases the overall production capacity to cope with the increase in customers' orders. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from acquisition is expected to be deductible for tax purposes.

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32. Acquisition of Subsidiaries *(continued)*

(i) Acquisition of New Sun *(continued)*

Net cash outflow on acquisition

	RMB'000
Cash consideration at completion date	20,000
Less: Bank balances and cash acquired	(4,621)
Net cash outflow arising on acquisition	15,379

During the year ended 31 December 2015, New Sun contributed RMB506,799,000 to the Group' turnover and RMB43,710,000 to the Group's profit for the year between the date of acquisition and the end of the reporting period.

(ii) Acquisition of Kai Da

On 29 April 2015, the Group acquired 100% equity interest in Kai Da from KDG Investment Limited, an independent third party, for a consideration of approximately RMB369,903,000, which was satisfied by (i) allotment and issue, credited as fully paid, of 148,740,000 ordinary shares of the Company, representing consideration of approximately RMB292,903,000; (ii) RMB48,000,000 in cash; and (iii) subject to adjustment, a maximum amount of RMB29,719,000 payable upon fulfillment of the profit guarantee with fair value of RMB29,000,000 at the date of the acquisition. Kai Da is principally engaged in manufacture of and trading in wires and cables in the PRC. The acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB54,775,000. Acquisition-related costs incurred were insignificant and were recognised as expenses for the year ended 31 December 2015, within the other expenses.

Consideration transferred

	RMB'000
Consideration shares issued	292,903
Cash consideration at completion date	20,000
Cash consideration payable (Note a)	28,000
Contingent consideration payable (Note b)	29,000
Total	369,903

Notes:

(a) The maximum amount of RMB28,000,000 shall be settled by the Group in cash on the 10th business day after 31 December 2016 or the date on which all the relevant external guarantees provided by Kai Da China and all the relevant account receivables of Kai Da China as set out in the sale and purchase agreement are fully released and collected (whichever is earlier), or such other date as agreed by KDG Investment Limited and the Group in writing.

(b) Based on the sale and purchase agreement, the Group is required to pay a maximum amount of RMB29,719,000 if the audited net operating profit after tax of Kai Da China, for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, is equal to or more than RMB49,380,000. RMB29,000,000 represented the fair value of this obligation at the date of the acquisition based on valuation report from an independent qualified professional valuer.

The contingent consideration payable is classified as a liability under trade and other payables and loss on fair value change of RMB719,000 between the date of the acquisition and 31 December 2015 is recognised as profit or loss under other losses.

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32. Acquisition of Subsidiaries *(continued)*

(ii) Acquisition of Kai Da *(continued)*

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

	RMB'000
Property, plant and equipment	104,244
Land use rights	28,700
Available-for-sale investment	4,590
Inventories	294,223
Trade and other receivables	235,687
Pledged bank deposits	74,306
Bank balances and cash	930
Trade and other payables	(239,264)
Bank borrowings — due within one year	(179,250)
Taxation payable	(205)
Deferred tax liabilities	(8,833)
	315,128

The trade and other receivables acquired with a fair value of RMB235,687,000 had gross contractual amounts of RMB235,687,000.

Goodwill arising from acquisition

	RMB'000
Consideration transferred	369,903
Less: Net assets acquired	(315,128)
	54,775

Goodwill arose in the acquisition of Kai Da because the acquisition has synergetic effect and increases the overall production capacity to cope with the increase in customers' orders. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from acquisition is expected to be deductible for tax purposes.

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32. Acquisition of Subsidiaries *(continued)*

(ii) Acquisition of Kai Da *(continued)*

Net cash outflow on acquisition

	RMB'000
Cash consideration at completion date	20,000
Less: Bank balances and cash acquired	(930)
Net cash outflow arising on acquisition	19,070

During the year ended 31 December 2015, Kai Da contributed RMB551,946,000 to the Group' turnover and RMB36,281,000 to the Group's profit for the year between the date of acquisition and the end of the reporting period.

Impact of acquisitions on the results of the Group

Had the acquisitions of New Sun and Kai Da been completed on 1 January 2015, total turnover of the Group for the year ended 31 December 2015 would have been approximately RMB9,454,709,000 and profit for the year ended 31 December 2015 would have been approximately RMB723,428,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

33. Operating Lease Commitments

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

	2015 RMB'000	2014 RMB'000
Within one year	**1,702**	1,948
In the second to fifth year inclusive	**2,361**	2,270
	4,063	4,218

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

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34. Capital Commitment

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**5,504**	16,053

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 PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees but subject to a maximum amount of HK$1,500 from June 2014 onwards (from January 2014 and up to May 2014: HK$1,250) per month for each employee.

36. Related Parties Transactions

During the year ended 31 December 2015, the Company had the following transactions/balances with related parties:

	2015 RMB'000	2014 RMB'000
Sales of goods to an associate	**38,810**	34,143
Purchase of goods from an associate	**1,933**	4,978
Interest income from an associate	**4,721**	2,115
Amount due from an associate included in trade receivables	**33,897**	23,054

Other than the transactions and balances with related parties above and those disclosed in Notes 19, 25 and 26 during the year, the Group has no other significant transactions and balances with related parties.

The details of remuneration of key management personnel, represents the emoluments of directors of the Company paid during the year and set out in Note 12.

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37. Information about the Statement of Financial Position of the Company

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

	2015 RMB'000	2014 RMB'000
Non-current assets		
Property, plant and equipment	**61**	82
Investment in a subsidiary	**517,162**	517,162
	517,223	517,244
Current assets		
Other receivables	**338**	216
Amounts due from subsidiaries	**2,002,166**	616,176
Pledged bank deposits	**2,009**	–
Bank balances and cash	**8,709**	1,413
	2,013,222	617,805
Current liabilities		
Other payables	**4,092**	3,610
Amounts due to directors	**3,218**	2,089
Bank borrowings — due within one year	**277,068**	142,934
	284,378	148,633
Net current assets	**1,728,844**	469,172
	2,246,067	986,416
Capital and reserves		
Share capital	**32,951**	27,364
Reserves (Note 38)	**2,213,116**	959,052
	2,246,067	986,416

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38. Reserves of the Company

	Share premium RMB'000	Special reserve RMB'000	Warrant reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2014	345,081	148,696	–	–	5,966	499,743
Profit for the year	–	–	–	–	138,969	138,969
Issue of shares (Note 30)	488,031	–	–	–	–	488,031
Expense in connection with issue of shares (Note 30)	(10,335)	–	–	–	–	(10,335)
Issue of warrants of the Company	–	–	1,200	–	–	1,200
Share re-purchased and cancelled (Note 30)	(17,642)	–	–	–	–	(17,642)
Dividends recognised as distribution (Note 14)	–	–	–	–	(140,914)	(140,914)
At 31 December 2014	805,135	148,696	1,200	–	4,021	959,052
Profit for the year	–	–	–	–	290,596	290,596
Issue of shares upon acquisition of subsidiaries (Note 32)	583,425	–	–	–	–	583,425
Issue of shares upon exercise of warrants (Note 30)	40,836	–	(240)	–	–	40,596
Issue of shares upon subscription (Note 30)	575,292	–	–	–	–	575,292
Expense in connection with issue of shares (Note 30)	(20,799)	–	–	–	–	(20,799)
Purchase of shares under share award scheme (Note 31)	–	–	–	(20,374)	–	(20,374)
Dividends recognised as distribution (Note 14)	–	–	–	–	(194,672)	(194,672)
At 31 December 2015	1,983,889	148,696	960	(20,374)	99,945	2,213,116

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39. Subsidiaries

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

Name of subsidiary	Place of incorporation/ legal entities	Issued and paid up capital	Attributable equity interest of the Group 2015 %	2014 %	Principal country/place of operation	Principal activities
Extra Fame Group Limited*	BVI/Limited liability	USD10,438,413	**100**	100	Hong Kong	Investment holding
Wuxi Jiangnan Cable	PRC/WFOE(1)	USD142,563,484	**100**	100	PRC	Manufacture of and trading in wires and cables
Jiangnan Cable (HK) Limited	Hong Kong/ Limited liability	HK$10	**100**	100	Hong Kong	Investment holding and trading in copper cathodes
JNHB Trading Co., Ltd.	Hong Kong/ Limited liability	HK$100	**100**	100	Hong Kong	Trading in wires and cables
Wuxi New Suneng Electric Power Science & Technology Co., Ltd.	PRC/WFOE(1)	HK$141,000,000	**100**	100	PRC	Manufacture of and trading in aluminum alloy and double capacity conductors
SA Asia Cable (Proprietary) Limited	South Africa/ Limited liability	RAND75,001,000	**100**	100	South Africa	Trading in wires and cables
Jiangsu Zengyang Investment Company Limited	PRC/WFOE(1)	RMB250,000,000	**100**	100	PRC	Investment holding
Jiangsu Zenghui Investment Co., Ltd.	PRC/WFOE(1)	RMB250,000,000	**100**	100	PRC	Investment holding
Zhongmei Cable	PRC/WFOE(1)	RMB250,000,000	**100**	100	PRC	Manufacture of and trading in wires and cables
New Sun Investments Limited#	Cayman Islands/ Limited liability	HK$1	**100**	–	Hong Kong	Investment holding
New Sun Cable (HK) Company Limited#	Hong Kong/ Limited liability	HK$1	**100**	–	Hong Kong	Investment holding
Wuxi New Sun Cable Company Limited#	PRC/WFOE(1)	RMB208,000,000	**100**	–	PRC	Manufacture of and trading in wires and cables
Kai Da Investments Limited#	Cayman Islands/ Limited liability	HK$0.01	**100**	–	Hong Kong	Investment holding
Kai Da Cable (HK) Company Limited#	Hong Kong/ Limited liability	HK$1	**100**	–	Hong Kong	Investment holding
Jiangsu Kai Da Cable Company Limited#	PRC/WFOE(1)	RMB208,000,000	**100**	–	PRC	Manufacture of and trading in wires and cables
Jiangnan Power Assets Limited#	BVI/Limited liability	USD1	**100**	–	Hong Kong	Investment holding
Jiangnan Power Assets (HK) Limited#	Hong Kong/ Limited liability	HK$1	**100**	–	Hong Kong	Investment holding

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

\# Acquired/incorporated during the year ended 31 December 2015 (Note 32).

(1) WFOE stands for wholly-foreign owned enterprise.

FINANCIAL SUMMARY

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

	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015 RMB'000**
Results					
Turnover	4,929,876	5,356,363	6,477,302	8,154,555	**9,167,273**
Cost of goods sold	(4,194,986)	(4,513,978)	(5,476,949)	(6,883,326)	**(7,685,477)**
Gross profit	734,890	842,385	1,000,353	1,271,229	**1,481,796**
Other income	14,434	31,785	27,039	58,442	**73,823**
Selling and distribution costs	(103,421)	(94,126)	(109,967)	(134,999)	**(202,727)**
Administrative expenses	(95,958)	(85,965)	(132,553)	(147,993)	**(179,185)**
Other expenses	(23,495)	(32,160)	(17,507)	(23,491)	**(30,732)**
Other gains and losses	(11,499)	(23,939)	(5,613)	(21,450)	**(29,000)**
Gain on bargain purchase	–	–	42,326	–	**–**
Share of loss of associates	–	–	(3,492)	(1,544)	**(1,139)**
Finance costs	(126,352)	(182,188)	(195,279)	(242,055)	**(243,316)**
Profit before taxation	388,599	455,792	605,307	758,139	**869,520**
Taxation	(71,154)	(79,672)	(101,784)	(132,123)	**(166,259)**
Profit for the year	317,445	376,120	503,523	626,016	**703,261**
Assets and liabilities					
Non-current assets	411,993	559,597	896,492	869,518	**1,234,175**
Current assets	3,773,360	4,727,050	6,660,794	7,847,989	**10,885,090**
Total assets	4,185,353	5,286,647	7,557,286	8,717,507	**12,119,265**
Current liabilities	2,977,837	3,373,271	5,203,378	5,414,785	**7,146,023**
Non-current liabilities	25,505	32,579	68,252	72,856	**77,317**
Total liabilities	3,003,342	3,405,850	5,271,630	5,487,641	**7,223,340**
Net assets	1,182,011	1,880,797	2,285,656	3,229,866	**4,895,925**