江南集團有限公司

Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)

One of the Largest Suppliers of **Electric Wires and Cables**

Annual Report 2016

Stock Code: 1366

Group's

Philosophy

As one of the best known large scale wires and cables manufacturers and marketing enterprises in China, 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 realise staff value and to gain best return to the shareholders.

Contents

Milestones

1997

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

2000

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

2004

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

2005

The Group's products accredited as **State Inspection-Free 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 **ISO9001, ISO14001, 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**

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 strategic cooperation with **China Gezhouba Group International Engineering** Co., Ltd.

2016

Add a **new extra-high voltage power cable production line**.

Awarded as one of the Top 500 Manufacturing Enterprises in China

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

Jiangnan Group Limited ("Jiangnan Group" or "Company", together with its subsidiaries, "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 "the PRC"). The Group's products are widely used in the power industry (including grid, power plant and renewable energy) and general industries (including metals and mining, oil and gas, transportation, shipbuilding and construction).

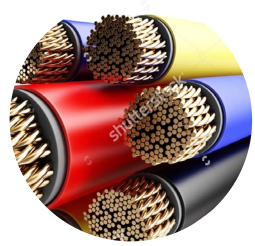
The Group offers over 10,000 products under four main categories, namely power cables, wires and cables for electrical equipment, bare wires and special cables. The Group's products carry different characteristics to meet customers' needs, including low smoke and zero halogen, water resistant, heat resistant, 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, in which the "" 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 post-doctoral 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 53 national industry standards for the manufacturing processes of power cables, wires and cables for electrical equipment and bare wires. One of these standards was the standard for the rated voltage 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 438 patents that are material to the Group's business in the PRC. Two of the most significant subsidiaries of Jiangnan Group 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"), have been endorsed as High and New Technology Enterprises again by the Yixing Provincial Commission of Science and Technology and are entitled to a reduced PRC income tax rate of 15% until the next renewal of their endorsements 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 cables, aluminum-alloy cables, pulse width modulated inverter power supply cables for ships, flexible fire resistant cables and 27.5kV power cables for high-speed railway.

With its high quality products, renowned brands 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 industries. 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 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 have 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 in Singapore, National Power Transmission Corporation in Vietnam and National Grid in the UK.



CORPORATE INFORMATION

Executive Directors

Chu Hui *(Chairman, Chief Executive Officer and Chairman of the Corporate Governance Committee)*
Xia Yafang *(Executive Vice-president)*
Jiang Yongwei *(Vice-president)*
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)*

Authorised 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

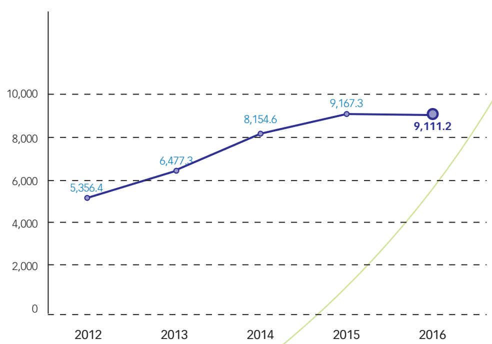
Annual General Meeting	19 May 2017

FINANCIAL HIGHLIGHTS

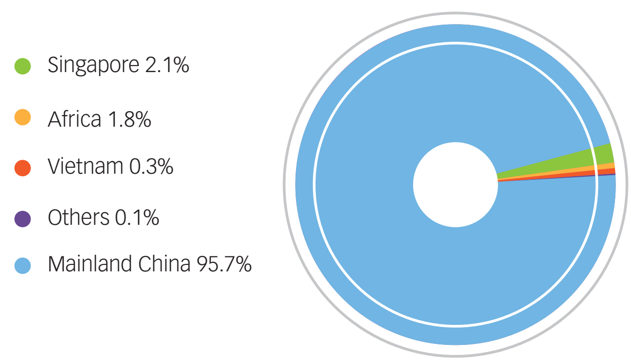
	Year ended 31 December				
	2012	2013	2014	2015	**2016**
RESULTS (RMB'000)					
Group Turnover	5,356,363	6,477,302	8,154,555	9,167,273	**9,111,232**
Profit for the year attributable to owners of the Company	376,120	503,523	626,016	703,261	**531,322**
ASSETS AND LIABILITIES (RMB'000)					
Non-current assets	559,597	896,492	869,518	1,234,175	**1,261,060**
Current assets	4,727,050	6,660,794	7,847,989	10,885,090	**11,204,561**
Current liabilities	3,373,271	5,203,378	5,414,785	7,146,023	**7,096,600**
Non-current liabilities	32,579	68,252	72,856	77,317	**71,929**
FINANCIAL RATIOS					
Net margin (%)	7.0%	7.8%	7.7%	7.7%	**5.8%**
Current ratio (times)	1.40	1.28	1.45	1.52	**1.58**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	16.3	20.4	24.8	22.4	**15.2**
Net assets (HK$)	0.81	0.93	1.20	1.43	**1.51**

Total Revenue

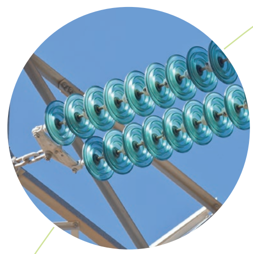
(RMB million)



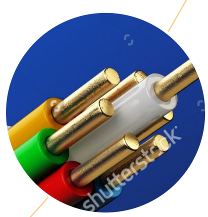
Geographical Combination



STRENGTHENING THE GROUP'S LEADING POSITION AS A MANUFACTURER-CUM-SUPPLIER OF COMPOSITE WIRES AND CABLES



CHAIRMAN'S STATEMENT



Dear shareholders,

I am pleased to present the annual results of Jiangnan Group Limited ("Company", together with its subsidiaries, "Jiangnan" or "Group") for the year ended 31 December 2016 ("Year") to our shareholders.

Throughout 2016, the global political environment was relatively volatile and the macroeconomics remained sluggish. On the international side, the stance of the newly elected U.S. president on the economic policy towards China became vague, Brexit from European Union, and the Middle East security crisis etc added uncertainties to the global economy. On the domestic side, as the domestic and global political stability has become the major aspiration of China's current development, the overall growth rate of China's economy has also slowed down due to the unstable political environment. According to the data released by the National Bureau of Statistics, China experienced the slowest rate of growth in its gross domestic product ("GDP") since 1990 in 2016, i.e. its GDP grew by only 6.7% year-on-year. During 2016, the macroeconomic environment remained unstable, prices of commodities including copper experienced significant fluctuations and kept declining. The average price of copper on the London Metal Exchange in 2016 decreased by approximately 11.5% as compared to the average price in 2015. As the Group prices its products on a cost-plus basis, the decrease in copper prices has put the Group's product prices under pressure and caused them to decrease during the year under review.

Besides, a catastrophic flood disaster struck in Central China during June 2016 exposed the Group to the risk of obsolete inventory. Therefore, the Group had strategically adjusted down the selling prices of some of the affected stocks to secure sales. The Group also made provision for impairment loss of inventory in 2016. All of the above unfavourable factors exposed the development of the Group to unprecedented risks and challenges. With its strong foundation laid in the past years and its ability to change its strategies proactively to cope with challenges, the Group had achieved a steady growth in the sales volume of its power cables (being the major revenue contributor of the Group) in 2016, and its overall sales turnover in 2016 had only slightly declined as compared to that in 2015.

During 2016, competition in the industry remained keen. The Group had adjusted its operational strategies in order to seize the opportunities arising from power distribution network reconstruction, city smart grid construction and transformation and upgrade of rural power grid investment projects. The Group targeted to strengthen its cooperation with high-quality state-owned enterprises, such as State Grid Corporation of China ("SGCC"), China Southern Power Grid Co., Ltd ("CSG") and five power generation groups of China. In 2016, the Group also added an extra-high voltage ("EHV") cable production line to capture the rising market demand for EHV cables with the intention to improve the Group's competitiveness in this market segment and to enhance the Group's overall gross profit margin. As a result, the Group was able to maintain a leading market share in China.

Assessing the situation and responding to external changes

The newly promulgated "Administrative Regulation on Overloaded Transportation Vehicles on Highways" in September 2016 in China has resulted in significant increase in the costs of the Group for transporting its products over long distance in China. The price fluctuation in non-ferrous metal also brought a lot of challenges to the cable industry which heavily used copper and aluminium as raw materials. On the other hand, China took a big step in the new round of electricity system reform. Power grid corporations which used to monopolise power transmission and distribution had begun to promote the marketisation of electricity and released their control over on-grid prices. The private sectors were also allowed to engage in power distribution network construction and operations. The new electricity system aims to benefit power users and improve the efficiency of power grid operations. In this direction, the Chinese government has gradually increased its supportive measures toward the construction of power distribution network and put forward a number of guidances for the construction of rural power distribution networks, urban power distribution networks and micro power grids. According to the National Energy Work Conference held at the National Energy Administration of China, total investments on power supply to small towns, core rural grid reforms and upgrades and rural motor-pumped wells reached approximately RMB190 billion, benefited a total of approximately 85,000 small towns and villages and covered approximately 210 million acres of farmland. Under the "13th Five-Year Plan", the investments in the upgrade and reform of power distribution networks will become more intensive and create a favorable environment for the development of power cable enterprises. The Group will respond to this series of favorable and unfavorable external factors and adjust its strategies accordingly, in order to seize more business opportunities.

Apart from strengthening its operational efficiency and expanding its production capacity, the Group also stepped up its investments in scientific research in a bid to optimise its production process, enhance the quality of its products, enrich its products offering and bring the total number of its patents to a new historic high. The Group strives to gain more market share in projects of large-scale power generation groups, the Power Transmission from West to East Project (西電東送) and projects of EHV power distribution networks.

The Group has continued to expand its market presence in the overseas markets. The Group's engagement in an engineering, procurement and construction ("EPC") project in Kenya in Africa has obtained the endorsement from its business partners and the local authority. The Group's entering into a strategic cooperation agreement and a supplemental 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") enabled the Group to establish joint venture cooperation with Gezhouba Engineering in overseas EPC projects. Leveraged on the development of EPC, the Group can transform itself from a product manufacturer to a product and service provider, aiming to extend its business downstream in its chain, improve its gross profit margin, enhance its brand influence in the international arena and lay a solid foundation in its overseas markets. The Group has also expanded its market in Southeast Asia (including Singapore, Fiji, Cambodia and Pakistan), and reached preliminary cooperation with some enterprises in these countries. The Group has also attempted to promote brand awareness in Hong Kong and is now in a strategic partnership with a Hong Kong construction company.

Pushing ahead management reforms and pursuing performance excellence

The Group has been focusing on achieving "performance excellence" and has further promoted the implementation of "Two-tier Production Assessment" and "Two-tier Back-office Assessment" systems, gradually laying a solid foundation for its corporate internal management. In addition, with the use of self-developed systems such as enterprise resource planning system, distant ordering system and quick response code scanning system, the Group has achieved new breakthroughs in scientific scheduling of production, production capacity utilisation, inventory turnover and maintenance support ability. The Group's level of modernised management has been fully enhanced through the use of up-to-date information technology.

During 2016, the Group has been honored with certain national awards, including one of the Top 500 Manufacturing Enterprises in China, Enterprises with Authentic Credit in China, Top 10 Competitive Wire and Cable Enterprises in China and Top 500 Energy Groups in China.

Outlook and prospects

In the second half of 2016, the Chinese government has reiterated its firm stance on such initiatives as removing bubbles, cutting excess capacity, reducing leverage and reducing air pollution. The changes in the economy brought by these measures under the new normal, to a certain extent, affected the development of the power cable industry. However, the market demand for cables still exists as power grid construction is still an important part of China's infrastructure investments. New growth drivers for the demand of wires and cables are rapidly breeding and forming. For instance, market opportunities arising from renewable energy and railway infrastructure are emerging.

The renewable energy industry will have a considerable demand for cable products. In the next few years, the investments in China in the energy sector will incline to green energy, such as wind power, nuclear power and photovoltaic power, thereby indirectly stimulating the growth of cable demand. The Chinese government encourages the conditional development of urban transportation, including rail transportation. According to the China Association of Metros (中國城市軌道交通協會), there are 40 cities with rail transit under construction and around 60 cities have carried out related preliminary work, such as planning, surveying, design and consulting. By the end of the "13th Five-Year Plan", there will be more than 3,000 km of urban rail lines put into operation and will attract investments reaching RMB1.7 trillion to RMB2 trillion. For the railway, according to the "13th Five-Year Plan", 23,000 km of new railway will be put into operation and a total of not less than RMB3.8 trillion will be invested. All of the above will trigger an increase in the procurement of various power cable products.

With progress made on the implementation of the "One Belt, One Road" initiative by the Chinese government, investments on infrastructure will only increase which will drive the construction of power grids. The sale of power cables and bare wires will benefit from grid construction. According to the National Energy Administration of China, the capacity of Chinese high-voltage distribution network substation is expected to reach 21 million kVA and the total length of power distribution network will reach 1.01 million km by 2020. This series of power distribution network construction and reforms will continue to bring huge demand for the Group's products. In this regard, the Group will seize the opportunities arising from the construction, reformation and update of national grids to improve the Group's turnover and market share by enriching the Group's product mix and enhancing the quality of its products.

At the same time, the Group will leverage on the experience of its business partners to strengthen its business development and cooperation in EPC projects, in order to drive its sales growth through EPC projects, to continue to enlarge its presence in the domestic and overseas markets, and to seek a suitable opportunity for further downstream business development and development of the international market. The Group will also utilise its offshore capital market platform, optimise its shareholding structure, and rely on its strong capital strength to further develop its business.

The Group believes that the growth drivers from the old economy are fading away and new growth drivers are emerging from the new normal of economy. The convergence of these new growth drivers will provide a more robust and favourable environment for the development of China's power cable industry. The Group will seize the growth opportunities brought from the new emerging strategies. The Group's advantages on technology, production scale and management team capability to carry out execution quickly and deal with pressure effectively have well equipped itself to cope with any business growth opportunity arising from the upcoming power distribution network upgrade and the implementation of related projects in China. The Group is looking forward to achieving sustainable and stable business growth and to creating more fruitful returns for the shareholders.

Acknowledgement

On behalf of the board ("Board") of directors of the Company, I would like to express my heartfelt gratitude to the shareholders, investors, business partners, customers and suppliers of the Group for their long-lasting support and to all Board members, the management team and all employees of the Group for their efforts and commitment.

Chu Hui
Chairman and Chief executive officer
Hong Kong, 16 March 2017

STEADY GROWTH IN THE WIRE AND CABLE INDUSTRY IN THE PAST AND FOR THE FUTURE

MANAGEMENT DISCUSSION & ANALYSIS

Overall performance

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB9,111.2 million, representing a slight decrease of approximately 0.6% as compared with that in 2015, and profit attributable to owners of the Company for the year of approximately RMB531.3 million, representing a decrease of approximately 24.4% as compared with that in 2015. The Group's gross profit margin for the year ended 31 December 2016 decreased to approximately 14.9% (2015: 16.2%). Basic earnings per share for the year under review was RMB13.15 cents (2015: RMB18.76 cents), representing a decrease of approximately 29.9%.

Market review

The year of 2016 was meant to be an extraordinary year with frequent black swan events, including Brexit, Donald Trump's unexpected election as the U.S. president, and the turbulent political situations in the Middle East and Eastern Europe. These situations not only added extra uncertainties to the global political and financial fields, but also negatively affected the macroeconomic environment. Although China's economic performance turned out to be better than expected at the end of 2016 and there was a year-end rebound in copper price, copper price remained weak during the year under review due to the soft demand in the industrial and manufacturing sectors. The average price of copper on the London Metal Exchange decreased by approximately 11.5% from approximately US$5,494.5 per tonne in 2015 to approximately US$4,862.6 per tonne in 2016. The average price of aluminum fell by approximately 15.6% from approximately US$1,664.7 per tonne in 2015 to US$1,405.8 per tonne in 2016. As the Group prices its products on a cost-plus basis, the decrease in raw material prices has put the Group's product prices under pressure, resulting in a slightly lower revenue for 2016 as compared with that in 2015.

Business review

According to the data released by the National Bureau of Statistics, China experienced the slowest rate of growth in its gross domestic product ("GDP") since 1990 in 2016, i.e. its GDP grew by only 6.7% year-on-year, which dropped slightly as compared with that in the previous year. During 2016, the macroeconomic environment remained unstable, prices of raw and auxiliary materials (in particular copper and aluminum) declined, a catastrophic flood disaster struck in China, and the new Administrative Regulation for Overloaded Transportation Vehicles on Highways was promulgated in China in 2016, which significantly increased the costs of the Group for transporting its products over long distance in China. All these unfavourable factors exposed enterprises to unprecedented risks and challenges, which also adversely affected the performance of the Group and its peers. Survival of the fittest has become a new trend in the wires and cables manufacturing industry. Amidst such unsettling operating environment, the Group sought for stable development both internally and externally. Apart from being able to produce a wide range of products, the Group had added an extra-high voltage ("EHV") cable production line to capture the rising market demand for EHV cables with the intention to improve the Group's overall gross margin. Externally, the Group targeted to strengthen its cooperation with quality state-owned enterprises, such as SGCC, CSG and the five power generation groups of China to minimise its credit risk and to ensure sustainable growth of its business. On the other hand, the Group had also been actively positioning and developing new business in its industry chain, aiming to diversify the Group's services and products offering and to enhance the Group's gross profit.

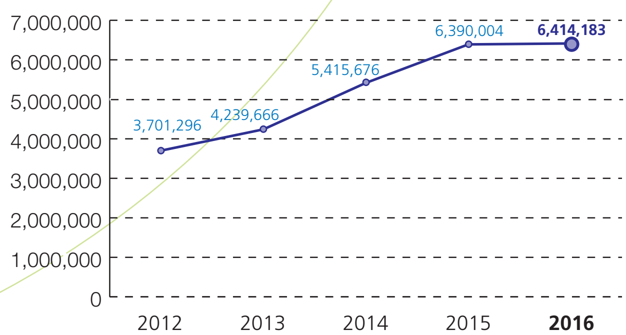
Turnover and gross profit margin of the products

	Turnover			Gross Profit Margin		
	2016	2015	% change	**2016**	2015	change
	RMB'000	*RMB'000*				
Power cables	**6,414,183**	6,390,004	0.4%	**15.5%**	16.9%	-1.4%
Wires and cables for electrical equipment	**1,697,625**	1,705,223	-0.4%	**11.8%**	13.2%	-1.4%
Bare wires	**511,190**	502,623	1.7%	**10.4%**	14.0%	-3.6%
Special cables	**488,234**	569,423	-14.3%	**22.7%**	18.9%	3.8%
TOTAL	**9,111,232**	9,167,273	-0.6%	**14.9%**	16.2%	-1.3%

Turnover

Power cable products — 70.4% of total turnover

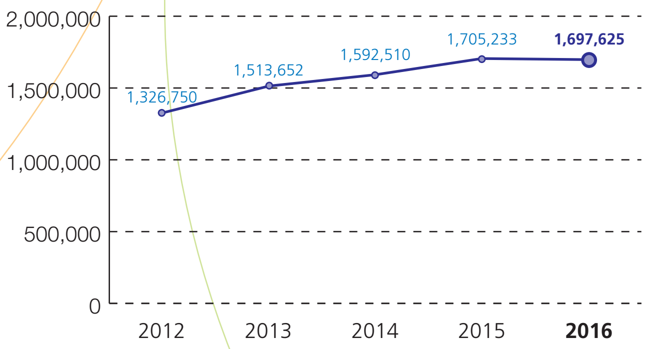
(RMB'000)



The development of electric power and power grids is crucial to the social and economic developments in China. As the Chinese government is committed to achieving steady economic growth and improving the people's livelihood, the pace of power grid construction in China had not been affected by the sluggish economic environment. SGCC has invested approximately RMB497.7 billion in power grid construction in 2016 in which approximately RMB171.8 billion was in rural power grid upgrade and reform, each of which represents a record-breaking investment amount. Driven by positive investment sentiment, domestic cable demand in the PRC remained stable in 2016. Sales volume of the Group's power cable products increased by approximately 5.2% to approximately 211,192 km (2015: 200,720 km). Turnover of power cables accounted for approximately 70.4% of the total turnover of the Group. However, as power cables are priced on a cost-plus basis by the Group and copper price has declined, the average product price for the year under review decreased by approximately 4.6% as compared to that in 2015. Despite the increase in sales volume of power cables in the year under review, turnover from these products was dragged down by the decrease in their selling price. For the year ended 31 December 2016, turnover from power cable products amounted to approximately RMB6,414.2 million, representing a slight increase of approximately 0.4% only over that in 2015 (2015: RMB6,390.0 million). Gross profit for the year under review decreased to approximately RMB992.9 million (2015: RMB1,079.4 million), whereas gross profit margin decreased to approximately 15.5% (2015: 16.9%).

Wires and cables for electrical equipment products — 18.6% of total turnover

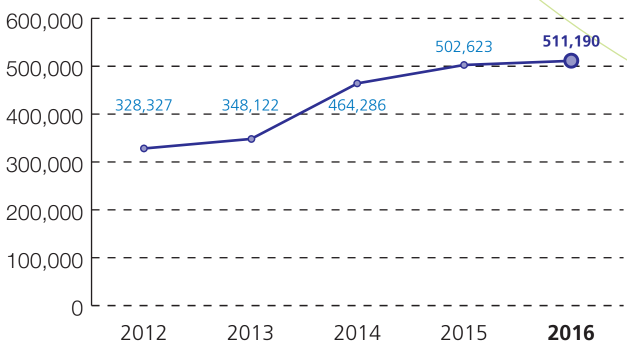
(RMB'000)



In 2016, turnover from wires and cables for electrical equipment slightly decreased by approximately 0.4% to approximately RMB1,697.6 million (2015: RMB1,705.2 million). Sales volume of wires and cables for electrical equipment increased by approximately 1.0% from approximately 1,041,035 km in 2015 to approximately 1,050,998 km in 2016. The average selling price of these products decreased by approximately 1.4% from approximately RMB1,638 per km in 2015 to approximately RMB1,615 per km in 2016, mainly due to the decrease in average copper price in 2016. Gross profit for the year under review decreased to approximately RMB201.1 million (2015: RMB224.3 million), whereas gross profit margin decreased to approximately 11.8% (2015: 13.2%).

Bare wire products — 5.6% of total turnover

(RMB'000)

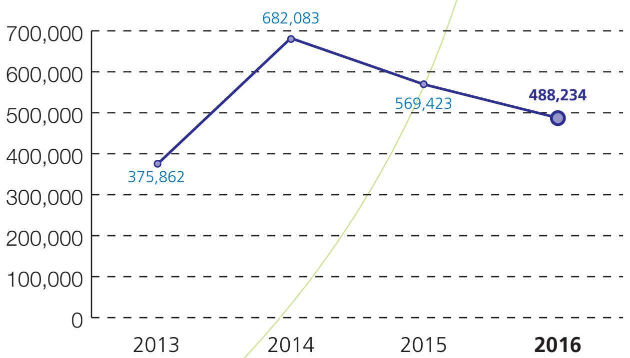


In order to alleviate the uneven distribution of electricity and the worsening air pollution problems in China, the Chinese government has commenced to operate the "Four AC and Four DC (四交四直)" ultra-high voltage ("UHV") project, an important part of the National Plan of Action for the Prevention of Air Pollution (國家大氣污染防治行動計劃), and commenced the construction of "Three AC and Seven DC (三交七直)"UHV project as at 31 December 2016, effectively securing electricity supply and improving the ecological environment. However, the promulgation of the new Administrative Regulation for Overloaded Transportation Vehicles on Highways in the PRC in 2016 has caused long distance transportation costs to increase significantly. This increase in transportation costs has resulted in a negative impact on the profitability of the Group's products, especially those with a low average selling price, such as bare wires. In view of this, the Group has resorted to selective tendering in order to control its transportation costs.

For the year ended 31 December 2016, turnover of bare wires increased slightly by approximately 1.7% to approximately RMB511.2 million (2015: RMB502.6 million). Sales volume of bare wires decreased by approximately 2.4% from approximately 40,973 tonnes for the year ended 31 December 2015 to approximately 39,987 tonnes for the year ended 31 December 2016. The average price of bare wire products increased by approximately 4.2% to approximately RMB12,783.9 per tonne (2015: RMB12,267.2 per tonne). Gross profit decreased by approximately 24.5% to approximately RMB53.3 million (2015: RMB70.6 million) and gross profit margin decreased by approximately 3.6% to approximately 10.4% (2015: 14.0%), due to the significant increase in the sales of 220kV~500kV high voltage wires (a type of bare wire products) that had a relatively low gross profit margin in the second half of 2016.

Special cable products — 5.4% of total turnover

(RMB'000)



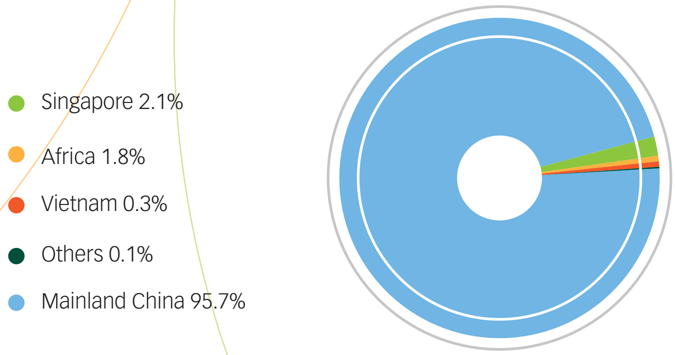
Under the recovery of the property market in the PRC, the demand for rubber cables (a type of special cables) for buildings increased. The sales volume of special cables increased by approximately 68.2% to approximately 77,752 km (2015: 46,216 km). However, the average selling price of special cables decreased by approximately 49.0% from approximately RMB12,321 per km for the year ended 31 December 2015 to approximately RMB6,279 per km for the year ended 31 December 2016. This decrease in average selling price was mainly due to the decline in copper price and the drop in the sales of special cables with a higher average selling price to clients in the mining, shipbuilding and renewable energy industries. However, gross profit margin increased by approximately 3.8% to approximately 22.7% (2015: 18.9%) as a result of the increase in the sales of flexible fireproof cables with an average gross profit margin of approximately 26.0%.

Turnover by geographical markets

The PRC market remained the Group's key market in 2016. Sales in the PRC market decreased by approximately 1.6% to approximately RMB8,723.2 million (2015: RMB8,860.6 million), which accounted for approximately 95.7% (2015: 96.7%) of the Group's total turnover, and such decrease was primarily due to the decrease in copper price in 2016.

Revenue contributed by overseas markets increased by approximately RMB81.3 million or approximately 26.5% to approximately RMB388.0 million in 2016 (2015: RMB306.7 million). This increase was mainly attributable to the material increase in sales in Singapore and South Africa, partly alleviated by the decrease in sales in Vietnam during the year under review. During the year ended 31 December 2016, the Group made sales in two new overseas markets, namely Cambodia and Brunei, with turnover of approximately RMB1.0 million and RMB19,000, respectively.

Geographical combination 2016



Progressive expansion in overseas markets

Apart from manufacturing and selling wire and cable products, the Group is also actively seeking for new opportunities in the industry chain, including the provision of high value-added cable sales and engineering, procurement and construction ("EPC") projects, with a view to minimise the impacts brought by fluctuations in raw material prices and to strengthen the service capacity of the Group in respect of project management. In addition, the Group has been actively exploring its overseas markets and expanding its overseas client base, thereby increasing its revenue sources while enhancing recognition of its brands.

On 8 December 2015, a subsidiary of the Company 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") to jointly explore and develop the international markets, focusing on the expansion and cooperation in EPC projects and the sale of cables driven by EPC projects. On 7 April 2016, the same subsidiary of the Company and Gezhouba Engineering further entered into a supplemental strategic cooperation agreement, pursuant to which Gezhouba Engineering would become a distributor of the Group to sell and promote cable products of the Group through its overseas branches to allow further expansion of the global sales networks of the Group. The Group will establish a joint venture with Gezhouba Engineering to carry out EPC projects in countries like Kenya in Africa and the preliminary work of such projects have been completed.

Following the implementation of the "One Belt, One Road" initiative by the Chinese government, the Group has dedicated efforts to expanding into markets in the Southeast Asian region such as Fiji, Cambodia and Pakistan and the Group has reached preliminary cooperation intention with local potential customers in these markets. The Group has also started strategic cooperation with construction companies in Hong Kong to enhance its brand recognition in Hong Kong.

Cost of goods sold

Cost of goods sold is composed of costs of raw materials, production costs and direct labour costs. Costs of raw materials accounted for approximately 95.8% of cost of goods sold in 2016 (2015: 96.0%), of which copper and aluminium were the Group's major raw materials, accounting for approximately 78.8% of cost of goods sold in 2016 (2015: 79.4%). Direct labour costs increased gently and accounted for approximately 1.3% of total cost of goods sold in 2016 (2015: 1.1%). The remaining balance of approximately 2.9% of the cost of goods sold in 2016 (2015: 2.9%) 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 decreased by approximately RMB123.7 million, or approximately 8.4%, from approximately RMB1,481.8 million for the year ended 31 December 2015 to approximately RMB1,358.0 million for the year ended 31 December 2016. Gross profit margin decreased from approximately 16.2% for the year ended 31 December 2015 to approximately 14.9% for the year ended 31 December 2016. The decrease in gross profit was due to decrease in copper price in 2016, the change of product mix and the selling prices adjustment due to the catastrophic flood disaster in China.

Profit for the year attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2016 decreased by approximately 24.4% from approximately RMB703.3 million for the year ended 31 December 2015 to approximately RMB531.3 million. The decrease was mainly attributable to the decrease in gross profit, increase in daily operating expenses such as transportation costs, staff costs and entertainment expenses, increase in other losses and recognition of equity-settled share-based payments in respect of shares granted to selected officers and employees of the Group on 28 January 2016 pursuant to the share award scheme of the Company.

Selling and distribution costs

Selling and distribution costs mainly represent the Group's salary and welfare expenses 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 RMB16.3 million, or approximately 8.1%, from approximately RMB202.7 million for the year ended 31 December 2015 to approximately RMB219.1 million for the year ended 31 December 2016. This increase in selling and distribution costs was mainly due to the increase in transportation costs for delivery of goods to customers. As a result, selling and distribution costs as a percentage of turnover increased from approximately 2.2% for the year ended 31 December 2015 to approximately 2.4% for the year ended 31 December 2016.

Administrative expenses

Administrative expenses increased by approximately RMB55.4 million, or approximately 30.9%, from approximately RMB179.2 million for the year ended 31 December 2015 to approximately RMB234.6 million for the year ended 31 December 2016, mainly due to the increase in staff costs and travelling and entertainment expenses incurred by management of the Group for business trips, as well as the recognition of equity-settled share-based payments in respect of shares granted to certain employees and management of the Group on 28 January 2016 pursuant to the share award scheme of the Company. The administrative expenses as a percentage of turnover was approximately 2.6% (2015: 2.0%).

Other expenses

Other expenses, mainly composed of research and development costs, increased by approximately 4.8% from approximately RMB30.7 million for the year ended 31 December 2015 to approximately RMB32.2 million for the year ended 31 December 2016. This increase was mainly resulted from the increase in spending incurred by the Group on research and development of new products and technology during the year ended 31 December 2016, compared to that in 2015.

Other losses

Other losses are 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 136.3% from approximately RMB29.0 million in 2015 to approximately RMB68.5 million in 2016. This significant increase in other losses was mainly due to the significant increase in the provision of doubtful debts for long outstanding receivables and the increase in the loss on disposal of property, plant and equipment due to the replacement of higher efficiency machines during the year ended 31 December 2016.

Finance costs

Finance costs decreased by approximately 8.9% from approximately RMB243.3 million for the year ended 31 December 2015 to approximately RMB221.6 million for the year ended 31 December 2016, mainly attributed to the decrease in interest expenses incurred by the Group on bank borrowings due to the cut in the RMB benchmark loan interest rates for financial institutions by the People's Bank of China ("PBOC") and the decline in bank borrowings outstanding during 2016.

Taxation

The Group's taxation decreased by approximately RMB41.3 million, or approximately 24.9%, from approximately RMB166.3 million for the year ended 31 December 2015 to approximately RMB124.9 million for the year ended 31 December 2016. This decrease in taxation was mainly due to a decrease in taxable income. The effective tax rate remained stable at approximately 19.1% for both years.

Staff number and remuneration

The Group's remuneration policy is based on the 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 of the Company has performed certain functions as set out in the paragraph headed "Remuneration Committee" in the Corporate Governance Report after Listing. As at 31 December 2016, the Group had 3,626 employees with 3,607 based in the PRC, 13 based in South Africa, 4 based in Hong Kong and 2 based in Pakistan. A breakdown of employees by function as at the same date is as follows:

Department	Number of employees
Management and administration	386
Finance, control and accounting	101
Procurement	15
Production and quality assurance	2,266
Sales and marketing	561
Engineering, research and development	297
Total	3,626

Notes:

1. The three independent non-executive directors of the Company ("Directors") are not included above because they are not the Group's employees.

2. 155 professional qualified management personnel are included in the production and quality assurance department and finance, control and accounting department above.

3. Please refer to Note 10 of Notes to the Consolidated Financial Statements for the details of the remuneration of the Directors for the years ended 31 December 2015 and 2016.

Earnings per share

For the year ended 31 December 2016, the basic earnings per share decreased to HK15.2 cents (or RMB13.15 cents), as compared with HK22.4 cents (or RMB18.76 cents) for the year ended 31 December 2015. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB531.3 million (2015: RMB703.3 million) and on the weighted average number of 4,041,507,000 (2015: 3,749,256,000) ordinary shares in issue less shares held for the share award scheme adopted by the Company on 9 September 2015.

The weighted average number of ordinary shares for the purpose of diluted earnings per share has been adjusted for the shares granted under the share award scheme of the Company for the year ended 31 December 2016.

Liquidity and financial resources

The management and control of the Group's financial, capital management and external financing functions are centralised. The Group has been adhering to the principle of financial management. The Group does not employ any financial instruments for hedging purposes. During the year under review, the main sources of funding to the Group were the proceeds generated from operating activities in the ordinary course of business of the Group and borrowings from the banks. The net-debt-to-equity ratio and the total debt to total assets ratio disclosed in the paragraph headed "Financial Position of the Group" below are used to measure the extent the Group is taking on debts as a means of leveraging. They are the key performance indicators used by management of the Group to manage and control the Group's financial resources and to assess the Group's liquidity, so as to ensure the Group can carry on with its business without any going concern issue, and achieve its objective of funding its business growth with the optimal capital structure. In general, the higher these ratios, the more aggressive the Group has been financing its growth with debts.

Financial position of the Group

1. Shareholders' equity

The Group has maintained a solid financial position for the year under review, and the shareholders' equity attributable to owners of the Company increased to approximately RMB5,296.5 million as at 31 December 2016 from approximately RMB4,895.9 million as at 31 December 2015, representing an increase of approximately 8.2%. The increase in equity attributable to shareholders was mainly attributable to the contribution of the profit net of distribution of dividends during the year.

2. Assets

As at 31 December 2016, total assets of the Group amounted to approximately RMB12,465.6 million (31 December 2015: RMB12,119.3 million), representing an increase of approximately 2.9%.

Non-current assets increased by approximately 2.2% from approximately RMB1,234.2 million as at 31 December 2015 to approximately RMB1,261.1 million as at 31 December 2016. The increase was mainly due to the increase in property, plant and equipment and land use rights resulted from the replacement of higher efficiency machines, addition of machineries and land use rights for power cable production lines, and installation of photovoltaic power supply systems for self electricity consumption by the Group, which had been partly set off by the decrease in the value of the Group's interests in associates caused by the significant loss in one of the Group's associates during the year under review and the decrease in deposits paid for acquisition of property, plant and equipment as at 31 December 2016.

Current assets increased by approximately 2.9% from approximately RMB10,885.1 million as at 31 December 2015 to approximately RMB11,204.6 million as at 31 December 2016, mainly due to the increase in inventories not yet delivered as at the end of 2016.

As at 31 December 2016, the Group had bank balances and cash of approximately RMB2,172.5 million (2015: RMB2,131.3 million). The Group also had pledged bank deposits of approximately RMB1,425.5 million (2015: RMB1,892.9 million). Majority of bank balances and cash were in Renminbi ("RMB").

The Group's treasury policy is to keep its investment costs under control and manage the returns of its 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 maximise the Group's investment returns.

3. Borrowings

Total interest-bearing bank borrowings decreased by approximately 5.4% from approximately RMB3,770.2 million as at 31 December 2015 to approximately RMB3,565.4 million as at 31 December 2016. Of the Group's total bank loans outstanding as at 31 December 2016, approximately 94.8% (2015: 92.7%) of short-term borrowings were made by the Group's subsidiaries, Wuxi Jiangnan Cable, Wuxi New Suneng Electric Power Science & Technology Co., Ltd ("Wuxi New Suneng"), Zhongmei Cable, Jiangsu Kai Da Cable Company Limited ("Jiangsu Kai Da") and Wuxi New Sun Cable Company Limited ("Wuxi New Sun"). These loans were not guaranteed by the Company.

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 RMB32.6 million over total equity of approximately RMB5,297.1 million as at 31 December 2016, increased from approximately -5.2% as at 31 December 2015 to approximately -0.6% as at 31 December 2016. The increase was mainly due to the increase in unsecured bank borrowings as at 31 December 2016.

As at 31 December 2016, the total debt to total assets ratio, defined as a percentage of total liabilities (current liabilities and non-current liabilities) of approximately RMB7,168.5 million over total assets (non-current assets and current assets) of approximately RMB12,465.6 million, of the Group, decreased to approximately 57.5% from approximately 59.6% as at 31 December 2015. The decrease was mainly due to an increase in total assets and a decrease in total liabilities.

In addition, the Group had sufficient committed but unused banking facilities of approximately RMB2,023.7 million as at 31 December 2016 to meet the need of the Group's business development. The Group had no material seasonality in relation to borrowing requirements.

As at 31 December 2016, the Group pledged certain of its buildings and machinery with carrying value of approximately RMB183.7 million and approximately RMB58.5 million, respectively (2015: RMB209.7 million and RMB97.4 million, respectively) to certain banks to secure credit facilities granted to the Group.

As at 31 December 2016, the Group's borrowings were mainly denominated RMB and carried interest rates at a premium to the PBOC interest rates. Please refer to Note 24 of Notes to the Consolidated Financial Statements for details of bank borrowings denominated in currencies other than RMB.

As at 31 December 2016, approximately 85.5% (2015: 67.5%) of the Group's total bank borrowings carried fixed interest rate.

All of the Group's bank borrowings as at 31 December 2016 were due within one year.

Capital commitment

The capital expenditures in the coming year are expected to be settled by cash through internal resources of the Group. Please refer to Note 34 of Notes to the Consolidated Financial Statements for details of the capital commitment of the Group as at 31 December 2016.

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 which are set out below. The Group's business and profitability growth are affected by the volatility and uncertainty of macro-economic conditions in the PRC and other global regions. Any change in the macro-economic conditions may directly affect the costs of production and demand for the Group's 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 of all such financial risks. 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.

For its potential financial impact on the Group's performance, please refer to the sensitivity analysis in Note 32 of Notes to the Consolidated Financial Statements.

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 set out in this annual report, 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 following 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 2016, the five largest trade and bills receivables represented approximately 11.4% (2015: 15.2%) 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 of the Group are state-owned banks with good reputation and high credit-ratings as graded by international credit-rating agencies.

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 relatively stable 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 2016, sales denominated in currencies other than the functional currency of the group entity to which it related represented approximately 3% (2015: 3%) of the Group's sales. The Group has an operating subsidiary in South Africa. As a result of 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.

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

During the year ended 31 December 2016, the Group did not have a foreign currency hedging policy in respect of its 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.

For its potential financial impact on the Group's performance, please refer to the sensitivity analysis in Note 32 of Notes to the Consolidated Financial Statements.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2016. 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 was probable that a loss had been incurred and the amount of the loss could be reasonably estimated.

Prospects

The National Development and Reform Commission and the National Energy Administration of China officially promulgated the "13th Five-Year Plan" for Power Development ("Plan") at the end of 2016, adopting the policy to accelerate the transformation and development of the power industry, and establishing goals for certain aspects, including the improvement and promotion of the development of power grids, energy conservation and emission reduction.

Under the Plan, the upgrade and renovation of the distribution network, and promotion of the construction of smart grids were proposed. In the next five years, the Chinese government will step up its efforts in the construction and renovation of urban and rural power grids, with an aim to transforming them into modern distribution networks that are able to meet the demand for smart power system and support the construction of a smart power system that is highly efficient. Meanwhile, the Notice on Regulated Commencement of Pilot Reform of Power Increment and Distribution Business (關於規範開展增量配電業務改革試點的通知) ("Notice") has confirmed 105 projects, such as Yangqing Smart Distribution Network, as the first batch of pilot projects for the reform of the power increment and distribution business. The market believes that the Notice will effectively attract the private sectors to invest in the power increment and distribution networks. It is expected that the total investments of the 105 pilot projects will amount to RMB50 billion to RMB100 billion, which will promote rapid growth in the investments of smart power grids. As a cornerstone for the improvement of the people's livelihood, the development of power grids in China has progressed steadily and the demand for wires and cables has shown no sign of abating. Amid the intense merger and acquisition activities in the industry, the Group will seek to establish a strong foothold and capture the increasing demand for wires and cables by consolidating its production equipment, introducing machineries from overseas and enhancing its capacity. As the drop of copper price has posed pressure on its product price, the Group will strive to sell and produce products with higher gross profit margin and higher technical requirements, such as flexible fire proof cables, aluminum-alloy cables and nuclear power cables, with a view to enhance its profitability and maintain its leading position in the industry.

In addition, in order to maintain a balanced resource allocation by transmitting power from areas with abundant energy supply to other regions, during the "13th Five-Year Plan" period, the Chinese government will also construct electric power transmission channels for the Power Transmission from West to East Project (西電東送) by adopting UHV electric power transmission and regular electric power transmission technology, which will expand the construction scale by 130 million GW and bring the total construction scale to approximately 270 million GW. Although the market is still in demand for bare wires for long distance power transmission, the promulgation of the new Administrative Regulation for Overloaded Transportation Vehicles on Highways in the PRC in 2016 has resulted in the increase in costs of long distance transportation; hence, the Group will continue to adopt selective tendering to control its costs and maximise its profit.

Meanwhile, in light of the worsening pollution problems, the Chinese government will put greater efforts on the development of renewable energy. In order to optimise the distribution of wind power over the country, the Chinese government will increase the nationally installed capacity of wind power to over 210 million GW, and will install photovoltaic stations according to the principle of decentralised development and local consumption. In the future, the Chinese government will also rely on power transmission channels to push forward trans-regional consumption of renewable energy in the three Northern regions, namely Northeast China, Northern China and Northwest China. Moreover, the Chinese government will actively develop hydroelectric power and explore the hydroelectric power resources in Southwestern China to promote the construction of a large-scale hydroelectric power base. All these measures in relation to the construction of facilities for renewable energy generation will require a large amount of special cables. The Group will closely monitor the development of the market to actively expand its market share of this product.

The fluctuation of copper price, the changes in political landscape as well as macroeconomic and trading environment will add uncertainties to the operating environment of the Group in 2017. Apart from maintaining the high quality of its products as always, the Group will also join hands with large state-owned enterprises, and will exercise extra caution when selecting customers to cooperate with so as to ensure that the Group will continue to maintain its sound financial condition. At the same time, the Group will leverage on its local and overseas EPC projects to expand the scope of its services to cable manufacturing in its supply chain in the downstream, striving to make steady progress in the ever-changing environment through its diversified products, businesses and sales channels.

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 practices 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 of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and had during the year ended 31 December 2016 ("Relevant Period") complied with the CG Code except for the following deviation.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. With effect from 30 May 2016, Mr. Rui Fubin resigned as the chairman of the Company ("Chairman"), an executive Director and the chairman of the corporate governance committee ("Corporate Governance Committee") of the Company due to his retirement, while Mr. Chu Hui, an executive Director, the chief executive officer of the Company ("Chief Executive Officer") and a member of the Corporate Governance Committee was appointed as the Chairman and the chairman of the Corporate Governance Committee. As a result, the Company has not had a separate Chairman and Chief Executive officer since 30 May 2016, with Mr. Chu Hui performing both these two roles. The Board believes that vesting both the roles of Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. The current arrangement will enable the Company to make and implement decisions promptly and efficiently. The Group nevertheless will review the structure from time to time in light of the prevailing circumstances.

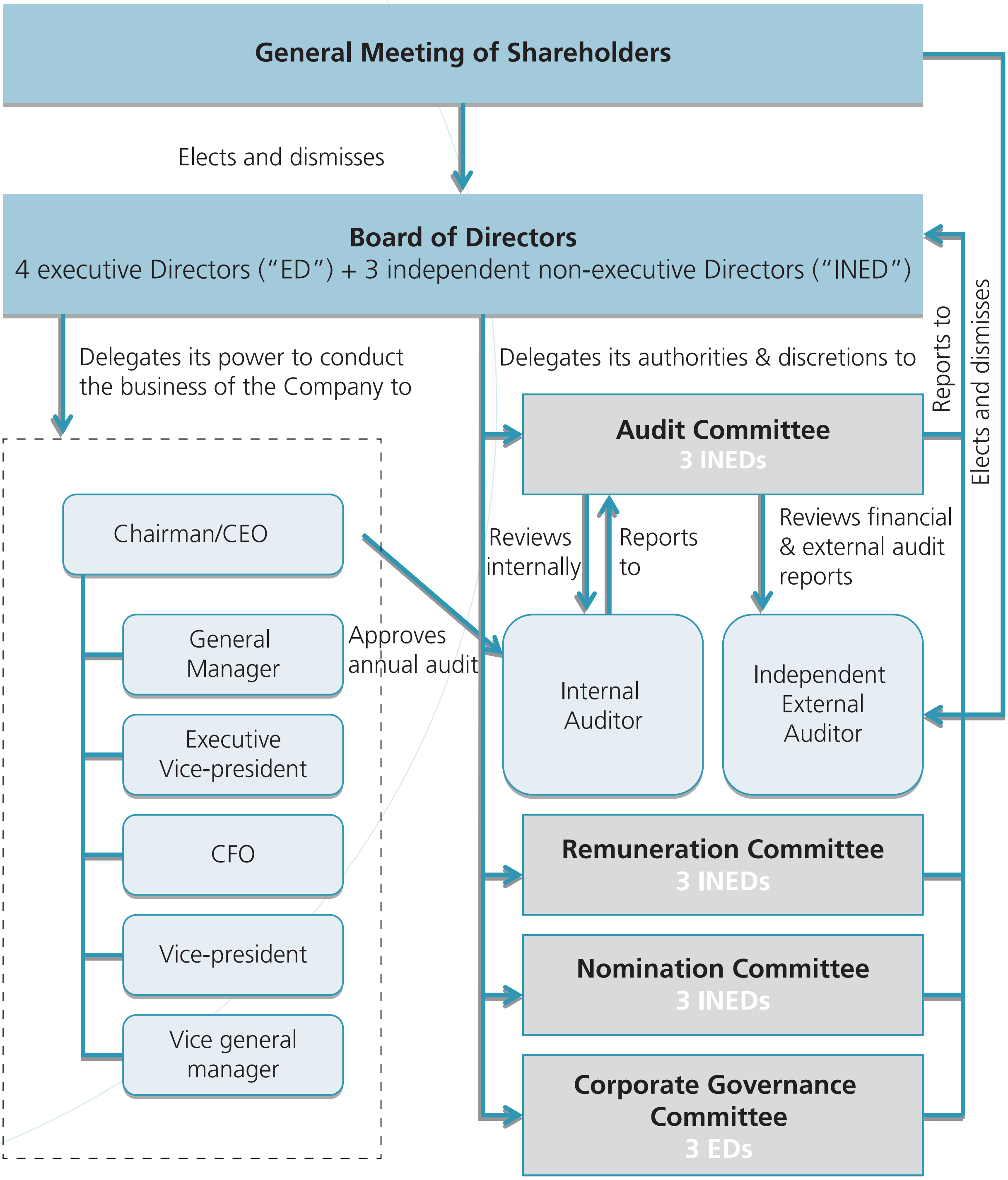
Model code for securities transactions

The Company has adopted a code on securities transactions by Directors on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules ("Model Code").

Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2016.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them from dealing in the securities of the Company at any time when they possess inside information in relation to those securities. No incident of non-compliance of the Model Code by any relevant officers or employees during the year ended 31 December 2016 was noted by the Company.

Corporate governance structure



Board of Directors

Board composition

As at 31 December 2016 and the date of this report, the Company had 4 executive Directors and 3 independent non-executive Directors. Biographical details of the Directors (including the relationships between the Directors) are set out on pages 48 to 50 in this annual report. The Directors bring to the Board a wide range of professional experience in areas of business, financial, legal, technical and industrial, which contribute to the provision of effective direction to 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 2016:

Executive Directors

Mr. Rui Fubin (resigned on 30 May 2016)
Mr. Chu Hui (Chairman of the Board, Chief Executive Officer, and Chairman 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, and 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 2016, the 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.

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 officers in charge of each division and function, who are 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 the powers of management including the circumstances under which the management should report back to the Board, and reviews the delegation arrangements on a periodic basis to ensure that they remain effective to the needs of the Group.

Chairman's responsibility

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 under review, 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.

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 2016.

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 of the Company ("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 the Directors. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs. 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 under review, 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. Seven 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 the 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.

Seven Board meetings and one general meeting ("General Meeting") were held during the year ended 31 December 2016. The attendance record of each Director at the Board meetings and the General Meeting during the year ended 31 December 2016 is set out below:

Directors	Attendance at Board meetings	Attendance at General Meeting
Executive Directors		
Mr. Rui Fubin *(Mr. Rui resigned on 30 May 2016 and four Board meetings were held on or after his resignation)*	3	1
Mr. Chu Hui *(Chairman)*	7	1
Ms. Xia Yafang	7	1
Mr. Jiang Yongwei	7	1
Mr. Hao Minghui	7	1
Independent Non-executive Directors		
Mr. He Zhisong	7	0
Mr. Yang Rongkai	7	0
Mr. Poon Yick Pang Philip	7	1

Directors' continuing professional development programme

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All Directors, namely, Mr. Chu Hui, Ms. Xia Yafang, Mr. Jiang Yongwei, Mr. Hao Minghui, Mr. He Zhisong, Mr. Yang Rongkai and Mr. Poon Yick Pang Philip have confirmed that they have complied with Code Provision A.6.5 of the CG Code for the year ended 31 December 2016. The Company has arranged trainings on certain aspects of the Listing Rules for the Directors. Each Director has attended such trainings.

Term of appointment of the 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.

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 CG Code. 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 websites.

The Remuneration Committee has adopted the approach under paragraph B.1.2(c)(ii) of the CG Code and advised and made 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 10 of the Notes to the Consolidated Financial Statements. Remuneration packages of the senior management not disclosed in Note 10 of the Notes to the Consolidated Financial Statements for the year under review were in the band of nil to HK$1,000,000.

During the year ended 31 December 2016, two Remuneration Committee meetings were held. During the year ended 31 December 2016, the Remuneration Committee had reviewed the remuneration policy of the Company and the remuneration packages of certain Directors, and reviewed and made recommendations to the Board in relation to the remuneration package of Mr. Chu Hui in respect of his appointment as the Chairman and the chairman of the Corporate Governance Committee.

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

Nomination committee

On 25 February 2012, the Company established a nomination committee ("Nomination Committee") which has written terms of reference as suggested under the CG Code. 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. The primary functions of the Nomination Committee include: (i) to review the Board's 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 Officer; (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 websites.

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 to 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 2016, three Nomination Committee meetings were held. During the year ended 31 December 2016, the Nomination Committee had reviewed the structure, the number of members and the composition of the Board, and recommended to the Board on the appointment of Mr. Chu Hui as the Chairman and the chairman of the Corporate Governance Committee.

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

Audit committee

On 25 February 2012, the Company established an audit committee ("Audit Committee") that has written terms of reference as suggested under the CG Code. 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 recommendations to the Board on the appointment, reappointment and removal of the Company's external auditor; (ii) to approve the remuneration and terms of engagement of the Company's external auditor and any questions of its resignation or dismissal; (iii) to review the Company's financial controls, and risk management and internal control 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 the applicable standards. The written terms of reference for the Audit Committee have been posted on the Company's and the Stock Exchange's websites. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the 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 2016, three Audit Committee meetings were held. The Audit Committee had reviewed the Company's accounts, results for the year ended 31 December 2015 and results for the six months ended 30 June 2016 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 risk management and internal control systems adopted by the Group and considered these risk management and internal control systems effective and adequate.

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

Corporate governance committee

On 25 February 2012, the Company established a corporate governance committee ("Corporate Governance Committee") which has written terms of reference as suggested under the CG Code. 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 the 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 the 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 websites.

During the year ended 31 December 2016, one Corporate Governance Committee meeting was held. The Corporate Governance Committee had reviewed the Company's status of compliance with the CG Code and the Corporate Governance Report. The Corporate Governance Committee reviewed and approved the disclosure in this annual report regarding the deviation of the Group from Code Provision A.2.1 of the CG Code.

Membership and Attendance Members	Attendance
Executive Directors	
Mr. Rui Fubin *(resigned as Chairman of the Corporate Governance Committee on 30 May 2016)*	1
Mr. Chu Hui *(Chairman of the Corporate Governance Committee)*	1
Mr. Jiang Yongwei	1
Mr. Hao Minghui	1

Accountability and audit

Financial reporting

The Board recognises the importance of the integrity of the 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, results and cash flows in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). When presenting financial information, disclosing inside information and making 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 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 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 annual report for the year ended 31 December 2016.

External auditor's remuneration

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

Nature of services	**31 December 2016 HK$'000**	31 December 2015 HK$'000
Audit services	**2,750**	2,650
Review on accounting treatment of acquisition of subsidiaries	**–**	420
	2,750	3,070

Risk management and internal control

The Board has overall responsibility for the effectiveness of the risk management and internal control systems, and it monitors these risk management and internal control systems through the internal audit department of the Group. The internal audit department reviews the material controls of the Group annually, which aims to cover all major operations of the Group. Overall, an internal audit function is in place and is to provide the Board with reasonable assurance that the risk management and 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.

The Board (through the internal audit department of the Group) has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering the period from 1 January 2016 to 31 December 2016 in compliance with the requirements under Code Provision C.2 of the CG Code. As no major deficiency on the risk management and internal control systems was noted after implementation of the solutions to resolve the internal control defects found in the review, the Board considered the risk management and internal control systems of the Group effective and adequate.

Process used to identify, evaluate and manage significant risks

During the process of risk assessment, the internal audit department is responsible for identifying the risks of the Group and deciding on the acceptable risk levels, and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments within the Group shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities. The identified risks together with the risk response will be reported to the Board.

Main features of risk management and internal control systems

The key elements of the risk management and internal control systems of the Group include the identification of risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

An ongoing risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that hinder the Group from achieving its objectives. The assessment of the risks is mainly made in accordance with the likelihood of occurrence of events that are detrimental to the Group and the consequences of these events should they occur. The rating assigned to each risk reflects the level of management's attention and risk control or elimination efforts required with respect to that risk.

Process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects

The internal audit department of the Group conducts reviews on the effectiveness of the risk management and internal control systems of the Group and reports its findings to the Audit Committee. The Board is responsible for ensuring that adequate resources are allocated to the relevant departments within the Group so that material internal control defects found in the reviews of the risk management and internal control systems scan be resolved and the recommendations made by the internal audit department can be implemented on timely basis.

Procedures and internal controls for the handling and dissemination of inside information

The Board has established the inside information policy for the handling and dissemination of inside information. The inside information policy stipulates the obligations of the Group, in relation to the restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemptions and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures. Under the policy, management of the Group must take all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of the disclosure requirement in relation to the Group. They must promptly bring any possible leakage or divulgence of inside information to the attention of the chief financial officer of the Company, who will notify the Board as soon as reasonably practicable to allow appropriate actions to be taken promptly. In the event that there is evidence of any material violation of the inside information policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

Shareholders' rights

General meetings

During the year ended 31 December 2016, 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 2016, the chairman of the meeting had explained the detailed procedures for conducting a 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 times 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) shall be borne 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 the relevant Board committees, where appropriate, to answer the shareholders' questions.

Investor relations and communication

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate, complete and timely disclosure of relevant information pursuant to the requirements of the 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 on http://www.jiangnangroup.com and the Stock Exchange's website on 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 to the public and publishes its periodic reports and announcements in accordance with the Listing Rules and 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 2016, there was no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Scope and reporting period

This is the first Environmental, Social and Governance ("ESG") Report presented by the Company in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules. As the Group's operations are substantially based in the PRC, this ESG Report focuses on the environmental and social performance of major operating subsidiaries of the Company, namely Wuxi Jiangnan Cable, Wuxi New Suneng, Zhongmei Cable, Jiangsu Kai Da and Wuxi New Sun in the PRC (collectively referred to as "PRC Subsidiaries"), which accounted for over 98% of the turnover of the Group for the year ended 31 December 2016.

Mission and vision

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential to creating a framework which motivates the Group's staff, contributes to the community in which the Group conducts its business and generates sustainable returns to the Group.

The Group's business objective is to strengthen its position in the wires and cables industry in the PRC by further expanding its business operations in the PRC and the overseas market. The environmental and social aspects also play a vital role for the development of the business of the Group as there have been growing public concerns regarding environmental protection and corporate responsibility. The Group considers that the success of its business largely depends on the satisfaction of its customers, which were achieved and contributed by the Group's employees. The Group has promoted the people-oriented culture and committed to provide fair and transparent human resource policy. The Group is also committed to providing good working environment to promote employees' health and safety. The Group believes that being a socially responsible employer and building up an environmental friendly culture would assist the Group to win the support of local community for future development of the Group.

The Board has overall responsibility for the development of the ESG policies and the effectiveness of the ESG risk and management and control systems of the Group. While ESG awareness is promoted by the administrative department of the Company and its subsidiaries internally within the Group, other relevant departments are responsible for implementing the ESG practices and ensuring ESG compliance by the Group in its daily operations.

Environmental aspects

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.

Emissions

To mitigate its impacts on the environment, it is the policy of the Group to minimise its air emissions, greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes, through measures such as control of its energy consumption and reuse of the non-hazardous wastes generated in its production process.

The Group is closely controlling and managing its carbon emissions and other air emissions (including methane, nitrous oxide and hydrofluorocarbons), with a focus on the efficient operation of its factories in the PRC. The Group is also working to reduce its emissions by improving energy efficiency and decreasing waste throughout its daily operations. While the PRC Subsidiaries are not subject to specific laws and regulations in relation to air emissions, greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste for its business operations, they have complied with all other relevant laws and regulations in relation to their business operations. The Group's major wholly-owned subsidiary, Wuxi Jiangnan Cable, has engaged China Quality Certification Centre to carry out an independent third-party external examination of its greenhouse gas emissions during the year under review. The certification issued by China Quality Certification Centre in June 2016 revealed that Wuxi Jiangnan Cable has complied with the required level of carbon emissions under ISO 14064-1:2006.

To reduce emissions from its daily operations, all coal-fired boilers of the Group have been replaced by energy-efficient gas-fired boilers. Approximately 378 tonnes of standard coal can be saved by each gas-fired boiler in a year, assuming each gas-fired boiler operates 7,920 hours annually. The Group has therefore effectively reduced greenhouse gas and tiny dust emissions for the sake of improving the air quality of its factory sites.

For non-hazardous wastes and defective products produced, the Group has reused and put them into production again. For hazardous non-recyclable wastes such as wasted lubricating oil, the Group has outsourced to relevant qualified operators to deal with the disposal of such hazardous wastes.

Use of resources

The Group principally engages in the manufacture and trading of wires and cables. Resources such as raw materials (particularly copper and aluminium), electricity and water, are essential inputs to the Group's business, particularly to support the operation of its factories in the PRC. In 2016, the PRC Subsidiaries have consumed approximately 97,000 MWh of electricity, approximately 3,204,000 m^3 of natural gas and approximately 615,000 tonnes of water.

The Group has established a comprehensive environmental management system, which improves the daily control of its environmental protection work, and incorporates elements of the "low-carbon, energy saving, green, environment-friendly" ideology into every detail of the Group's operations. The Group is committed to finding new ways to reduce its energy consumption while improving the quality of its products for its customers.

The Group's factories account for most of its energy consumption. Wasted raw materials and defective products will be reused and recycled in the Group's daily productions. The Group has delegated its staff to check the water supply pipes and valves regularly to avoid the wastage of water resources.

During the year ended 31 December 2016, the Group has invested approximately RMB78 million to install photovoltaic panels on the roof of its production plants to generate solar energy for the Group's own consumption. The installation has been completed and in operation since September 2016. Management of the Group estimated the photovoltaic panels can generate approximately 15,000 MWh of electricity annually and is expected to save approximately 6,000 tonnes of standard coal. Moreover, according to 《關於公佈2009年中國低碳技術化石燃料併網發電項目區域電網基準線排放因子的公告》 issued by the National Development and Reform Commission of China, the photovoltaic panel project can reduce approximately 12,690 tonnes of carbon dioxide emissions for the PRC Subsidiaries.

The environment and natural resources

The Group's business is not subject to specific environmental laws and regulations but the Group is committed to create a business that contributes efforts to environmental care and sustainability. To help promoting environmental awareness among the Group's employees, the Group encourages the use of recycled paper for printing and copying, promotes double-sided printing and copying, sets up recycling bins, and reduces energy consumption by switching off idle lightings, air conditioning and electrical appliances. In addition, the Group has made constant capital investments in energy-efficient machineries to replace existing old machineries so as to boost economic efficiency and energy saving. 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 to further minimise its impacts on the natural environment.

In 2016, the Group was awarded as 2016年度節能低碳技術推廣應用示範單位 ("2016 Energy-Saving and Low-Carbon Technology Application Corporate") by 無錫市節能監察中心 ("Wuxi Energy Conservation Monitor Center").

Social aspects

Employment and labour practices

The Group is an equal opportunity employer and encourages diversity of employees, regardless of age, gender, marital status and race. The Group is people-focused and believes that employees are one of its most valuable assets and regards human resources as its corporate wealth. The Group recognises the contributions by employees as well as attracts and retains key personnel and talents with appropriate skills, experience and competence which would complement and meet the corporate and business objectives of the Group.

Employment

The Group attracts talents in accordance with the principles of openness, equality, competence and competitive selection. The Group's employment practices do not discriminate on the grounds of gender, disability, pregnancy, family status, race, colour, religion, age, sexual orientation and national origin. As at 31 December 2016, the Group had a total of 3,609 (2015: 3,553) full-time employees who worked at the PRC Subsidiaries, whereas overall turnover rate of the PRC Subsidiaries was about 19.07% (2015: 18.36%).

Breakdown of employees of the PRC Subsidiaries by gender

Gender	Number of employees at the end of the year
Male	2,270
Female	1,339
Total	3,609

Breakdown of employees of the PRC Subsidiaries by age

Age	Number of employees at the end of the year	Percentage of total workforce at the end of the year
18~30	1,128	31.3%
31~40	737	20.4%
41~50	1,117	31.0%
51 and above	627	17.4%
Total	3,609	100.0%

Breakdown of employees of the PRC Subsidiaries by location of work

Location of work	Number of employees at the end of the year	Percentage of total workforce at the end of the year
Mainland China	3,607	99.9%
Pakistan	2	0.1%
Total	3,609	100.0%

Based on the figures stated above, the male to female percentage ratio within the PRC Subsidiaries as at 31 December 2016 was approximately 63:37. The predominance of males was due to the market practice that a higher proportion of male employees serve as technicians in the workshops of the PRC subsidiaries. The PRC Subsidiaries is continuously working on improving the balance of gender for those departments that have a heavier weighting of male employees, for example by using new technology to reduce the physical demands of certain jobs and make them suitable for female employees.

The Group values its employees and remunerates them fairly and adequately, in line with the Labour Law of the PRC and other relevant legislations. In the determination of wage and salary levels and promotion for the employees, the Group takes into account such factors as the seniority, relevant experience, results of performance appraisals, education level and professional qualifications of the employee, as well as the nature of the work and duties of the position to be carried out. These decisions are made in line with industry norms and local conditions and practice. In order to attract and retain talents, the Group offers competitive remuneration, retirement and medical benefits, insurance and leave entitlement which commensurate with market standards, and the Group regularly reviews the remuneration packages and promotion guidelines of its employees and reports to the Remuneration Committee to make necessary adjustments to conform to the market standards.

In 2015, the Group adopted a share award scheme ("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 talents for further development of the Group. 35,300,000 ordinary shares of the Company were granted to 4 directors and 17 selected employees in 2016 pursuant to the Share Award Scheme. During the year ended 31 December 2016, 8,825,000 of these shares were vested and transferred to those directors and selected employees.

The Group promotes work-life balance and encourages employees to pursue their personal interests and live a healthy and fulfilling life. The Group is offering adequate working hours, rest periods and overtime pay to the employees according to the Labour Law of the PRC, Employment Ordinance (Chapter 57 of The Laws of Hong Kong) and all other relevant labour laws and regulations in which the Group operates.

For situations in which the behavior of an employee results in disciplinary dismissal, or whose performance is consistently below an acceptable level, a range of procedures to terminate his/her employment contract have been established. Terms and conditions for dismissal are outlined in the employment contract. In all cases, department heads consult with the human resources department to ensure that applicable legal requirements are observed before taking any disciplinary action.

The Group has complied with all relevant employment and labour laws and regulations, such as the Labour Law of the PRC, during the year under review.

Health and safety

The Group cares about the health and safety of its employees. The PRC Subsidiaries are subject to and have complied with the Labour Law of the PRC, Safety Production Law (安全生產法) of the PRC and other relevant PRC laws and regulations in respect of health and safety of employees during the year under review. The Group encourages direct communications with employees in respect of occupational health and safety issues. To provide a safe working environment to its employees, the Group has established an all-round occupational safety and health management policy to promote the health and safety awareness of its employees. The Group's management monitors daily operations to ensure the policy has been implemented effectively. Dangerous elements in the work process are monitored all times so that the production and operation activities are scientific, systematic and safe throughout the whole process.

In addition, the Group has engaged an independent third party to check and review its workplace environment and conditions regularly to ensure the Group's workshops are harmless to its employees. Upgrades and maintenance of tools, offices and equipment are performed to cope with the needs and demand of its employees. Employees are also provided with medical insurance benefits and are required to attend health awareness training programmes.

A formula for health is "happiness". The Group is aware that a good way of keeping its employees motivated and happy is by providing them with sports and leisure activities. To this end, the Group has set aside funds for employees' sightseeing and leisure tours. The Group also provides amenity areas and sporting facilities such as table tennis, snooker and other sporting equipment for employees to use during work breaks.

The Group was awarded the Certificate of Safety Production Standardisation (安全生產標準化證書) by the Wuxi City Safety Production Monitoring Authority (無錫市安全生產監督管理局), and was honored as a 2016 Standardisation Demonstration Corporate (2016年標準化良好行為示範企業), issued by China Electrical Equipment Industry Association in 2016.

There were no work-related fatalities and about 6,961 (2015: 2,643) lost days, representing 0.6% (2015: 0.2%) of total work days due to sickness and work injury in relation to the operations of the PRC Subsidiaries in 2016.

Development and training

The Group believes that growth of its employees is one of the key factors to achieve sustainable business growth. The Group continues to promote a learning culture and offer structured career development, on-the-job training programmes and a e-learning platform to promote its staff's self-actualisation and enhance its employees' career progression.

The following tables summarise the training programmes, mainly indoor seminars provided to employees in the PRC Subsidiaries in 2016, which covered various job-related hard and soft skills, such as leadership, team building and personal effectiveness.

Breakdown on trainings for employees of the PRC Subsidiaries by gender of attendees

Gender of attendees	Number of attendance	Number of hours trained	Average training hours
Male	8,492	49,071	5.8
Female	4,335	22,115	5.1
Total	12,827	71,186	5.5

Breakdown on trainings for employees of the PRC Subsidiaries by level of attendees

Level of attendees	Number of attendance	Percentage of participants
Senior management	34	0.3%
Middle management	141	1.1%
General staff	12,652	98.6%
Total	12,827	100.0%

Other than on-the-job trainings and internal seminars and the e-learning platform provided to its employees, the Group also encourages staff's participation in external seminars and workshops to keep the employees 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, the employees' 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 was awarded the Certificate of China Private Enterprise Culture Building Advance Unit (全國民營企業文化建設先進單位證書), issued by China Research Institute of Enterprise Culture in 2016.

Labour standards

The Group is committed to protecting human rights. The Group complies with all relevant laws and regulations and the requirements of the governing authorities, and prohibits the use of forced labour and child labour in its daily operations. All the Group's employees are aged over 18 and no child labour has been employed, as it is the Group's policy to perform employee identify check at the time of recruitment. The Group strives to create an environment of respect, integrity and fairness for its employees. The Group has complied with all relevant laws and regulations in respect of forced labour and child labour in the PRC during the year under review.

Operating practices

As a socially responsible corporate, the Group is committed to comply with all relevant laws and regulations in the wire and cable manufacturing industry.

Supply chain management

Supplier relationship is one of the key factors for the Group to achieve sustainable business growth. The Group exercises a high level of scrutiny over the selection of suppliers and encourages its suppliers to act responsibly and adhere to the Group's ESG standards. The Group has thousands of suppliers mainly in the PRC. The Group has built harmonious relationships with its major suppliers over the years that serve to smooth out its production flow and enhance its productivities. The Group has established procurement control procedures to ensure the quality of raw materials supplied by suppliers. The Group has carried out long-term quality monitoring and regular review over its major suppliers and subcontractors. Suppliers are subject to regular on-site assessment on product quality as well as suitability by the Group. In case of a significant change in the suppliers' qualification or serious quality issue or contradiction between the suppliers' ESG practices and the Group's ESG standards, the Group may suspend the suppliers from its supplier list.

Product responsibility

The Group has thousands of customers mainly in the PRC who have established years of business relationships with the Group. The Group understands product quality is one of the key concerns of its customers. The Group has set up a quality assurance department and relevant policies to produce high quality products that comply with the health and safety standards. Operating management closely monitors the production flow and reviews the quality assurance policy from time to time to ensure high quality products are produced. The Group has also established after-sales service management policy to control and promote its customers' satisfaction.

The Group views customer data privacy as a key operating principle. The Group prohibits its employees from disclosing its customers' sensitive information to third parties without the customers' agreement. The Group advertises and labels its products according to the industry practices and standards, as well as all relevant laws and regulations.

To protect intellectual property rights, all the Group's products are produced with the relevant certificates. The Group has obtained 438 patents in China for its products, with 87 products being designated as "High Technology Products" in Jiangsu Province and 5 products being awarded as "National Key New Products". The Group has established a policy and worked with governmental authorities to prevent fake products from being produced and to protect the Group's intellectual property rights. The Group has established channels for customers to file their complaints with respect to the products, to allow the Group to assess the situations and follow up with the appropriate actions of redress, including product repair and product recall. In 2016, there were 46 batches of products of the Group (2015: nil) recalled due to health and safety reasons and the Group had received 125 (2015: 13) complaints from its customers, where all complaints had been resolved through communication, repair and redistribution of the products.

There was no known issue regarding material non-compliance with the relevant laws and regulations in respect of health and safety, advertising, labelling and privacy matters relating to the products of the Group during the year under review that would have any significant impact on the Group.

Anti-corruption

The Group is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of the Group's affairs. The Group has a zero-tolerance policy towards behavior in association with bribery, corruption, extortion, fraud and money laundering in its business operations.

The Group encourages the reporting of suspected business irregularities within the Group and provides reporting channels specifically for this purpose. When suspected wrongdoings, such as breach of duty, abuse of power and receipts of bribes are identified, staff should report to senior management for investigation and verification, and report to the relevant regulators or to the law enforcement authorities when necessary.

The Group has complied with all relevant laws and regulations in respect of anti-corruption, and no legal case against the Group in respect of bribery, extortion, fraud and money laundering has been recorded in the year under review.

Community

Community investment

The Group is committed to participating in various community events, making donations and providing sponsorships to charitable organisations from time to time, and to the improvement of community well-being and social services where it operates. The Group supports and encourages employees 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. It is the policy of the Group to participate in community services to gain an understanding of the needs of the communities in which it operates, so as to enable management of the Group to formulate policies and objectives which are in line with the interests of those communities.

Highlights

Beneficiaries	Main Activities
Students	• **Education Donation:** The Group donated RMB300,000 to Guanlin Town Education Promotion Fund (官林鎮教育振興基金) to reward teachers, primary and secondary school students with good performance. • **Intership Programmes & Site Visits:** The Group offered 170 intership positions in different departments to students from different colleges and universities, where permanent job offers will be given to students who have potential or talent. The Group also arranged site visits for students and provided opportunities for direct communication with management of the Group for experience sharing.  • **Employment of Fresh Graduates:** The Group has employed 48 fresh graduates in which there were 37 graduates with tertiary education or above.
Community	• **"Love Jiangnan, Clothing to the Needy" (愛在江南 衣暖人心) Activities**: The Group encouraged employees of the Group to donate over 600 clothing to Wuxi Red Cross.  • **Helping in flood:** The Group donated RMB100,000 to Guanlin Town Li Dou Cun which was affected by the flood seriously.

Beneficiaries	Main Activities
	• **Established "Sponsorship and Education Fund" (捐資助學基金)**: The Group has sponsored over RMB10 million in infrastructure, construction and education aspects, such as green engineering projects, nursing homes, cinemas, in recent years.
	• **Donation to Yixing City "Charitable Foundation" (慈善基金會)**: The Group has in aggregate donated over RMB5 million (2016: RMB300,000) to the Yixing City Charitable Foundation in recent years for supporting the charity development in Yixing City.
Employees	• **Jiangnan Group "Love Fund" (愛心基金)**: The Group established "Love Fund" in 2015 to help needy employees. The fund has received over RMB500,000 from management and employees of the Group since its establishment.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chu Hui (儲輝), Chairman and Chief Executive Officer

Mr. Chu Hui, aged 45, was appointed as the Chief Executive Officer on 7 July 2014, an executive Director on 18 July 2013 and the Chairman on 30 May 2016. He is also the Chairman of the Company's corporate governance committee since 30 May 2016. 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 Zhongmei Cable, which is now a wholly owned subsidiary of the Company, and has been responsible for the overall management of production, operation, sales and administration matters in Zhongmei Cable. Mr. Chu has been a director of Extra Fame Group Limited, Jiangnan Cable (HK) Limited 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 Jianguan Wire and Cable Co., Ltd (無錫市江南線纜有限公司) ("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).

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 the 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 and the sole shareholder of Power Heritage Group Limited ("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 Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong.

Mr. Chu Hui is the son-in-law of Mr. Rui Fubin (the former Chairman and a former 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 44, was appointed as a Director on 26 January 2011, the executive vice president on 25 February 2012 and an executive Director on 20 April 2012. She is also a director of a number of companies in the Group. 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 the 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 50, was appointed as a vice president and a 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. He is also a director of a number of companies in the Group. 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 the 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 cousin of the spouse of Mr. Chu Hui, the Chairman, an executive Director and the chief executive officer of the Company.

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

Mr. Hao Minghui, aged 59, was appointed as an 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 manufacture 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 Wuxi New Suneng, 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 47, was appointed as a 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 the Southwest University of Political Science and Law and Renmin University of China in July 1992 and July 1999, respectively.

Mr. Yang Rongkai (楊榮凱)

Mr. Yang Rongkai, aged 57, was appointed as a 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. Since 2013, he has been the deputy director of the Research and Development Centre of Intelligent Electrical Equipment Division. 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 was 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 47, was appointed as a 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 20 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 (stock code: 1300), a company listed on the Main Board of the Stock Exchange, and China Fordoo Holdings Limited (stock code: 2399), a company listed on the Main Board of the Stock Exchange, with effect from 23 August 2011 and 16 August 2016, respectively. Mr. Poon had taken up senior finance positions 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.

Committees

The Company has are four Board committees. The table below provides membership information of these committees in which each Board member served as at the date of this annual report:

Board committee Director	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Chu Hui (appointed on 30 May 2016)				C
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 55, is the chief financial officer of the Company and the Company Secretary. He is also a director of a number of companies in the Group. 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 46, is the financial controller of the Group in China. Mr. Cao joined Zhongmei Cable, 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 2016.

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 page 14. A discussion of the future developments of the Group's business is set out in the "Chairman's Statement" and in the MD&A in this annual report on page 11 and pages 24 to 25 respectively. An analysis of the Group's performance is set out on pages 15 to 21. A discussion of the Group's principal risks and uncertainties is set out in the MD&A in this annual report on pages 23 to 24.

Environmental policies and performance

The Group values the importance of protecting the environment in the process of operation. The Group has complied with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources and energy saving. Green initiatives and measures have been adopted in the Group's operations. More details are set out in the section headed "Environmental aspects" in the ESG Report in this annual report on pages 39 to 40.

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 the Group's compliance with all significant legal and regulatory requirements. These compliance and risk management policies and procedures are reviewed regularly. As far as the Company is aware, it has complied with the relevant laws and regulations, such as the Law of the PRC on Enterprise Income Tax, Company Law and Labour Law of the PRC, that have a significant impact on the business and operations of the Group in material respects during the year under review.

Relationships with key stakeholders

The Group understands the importance of maintaining good relationships with its stakeholders and considers it a key element to sustainable business growth.

Employees

The Group has always been people-oriented and has attached great importance to human resource management. The Group attracts talents through fair recruitment policy and provides employees with training opportunities, good career development prospects and growth opportunities. In addition, the Group offers attractive remuneration packages to its employees. Some employees are granted shares of the Company pursuant to the Share Award Scheme of the Company adopted on 9 September 2015 in recognition of their contribution to the Group. The Group also values its employees' physical and mental development.

Customers

The Group is committed to offering its customers quality products to the best of its ability. During the year under review, the Group maintained effective communications with its customers through various channels, such as telecommunication through salespersons and interview with key customers. The Group believes that its customers' feedback would help the Group to identify areas of improvement and hence to achieve excellence. The Group has established over ten years of business relationships with thousands of customers, of which most are well-known companies such as SGCC, CSG and the five power generation groups of China. In particular, SGCC is the Group's major customer. The credit terms granted to the Group's major customer are in line with those granted to the Group's other customers. The Group is keeping up its efforts in expanding its markets overseas and enlarging its customer pool. For detailed discussion of the credit terms, recoverability and the concentration of credit risk of trade receivables, please refer to Note 20 of Notes to the Consolidated Financial Statements.

Suppliers

The Group strongly believes that maintaining harmonious relationships with its major suppliers is essential to the Group's business performance and growth because suppliers can exercise direct influence over the quality of the Group's products and customer satisfaction. The Group adopts a comprehensive supplier management policy in respect of the supplier selection procedures and the quality control system regarding the products and performance of potential and existing suppliers. The Group is committed to establishing close and long-term cooperation relationships with its business partners.

Results and appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 67 and the state of affairs of the Group as at 31 December 2016 are set out in the consolidated statement of financial position on page 68.

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 2016 (2015: HK3.1 cents per share) to the shareholders of the Company which is subject to shareholders' approval at the forthcoming annual general meeting to be held on 19 May 2017 ("AGM").

Subject to the approval of the shareholders of the Company at the AGM, it is expected that the Final Dividend will be paid on or around 31 July 2017 to the shareholders of the Company whose names appear in the register of members of the Company on 21 July 2017.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 69.

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 RMB4,844,526,000 (2015: RMB4,493,757,000) as at 31 December 2016. Under the Cayman Islands Companies Law, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Use of net proceeds received from the initial public offering

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$448.1 million (or equivalent to approximately RMB370.0 million), most of which had been utilised in the manner as set out in the prospectus of the Company dated 10 April 2012. As at the date of this annual report, approximately HK$115.0 million in aggregate of the net proceeds had been fully utilised for setting up production facilities for aluminium alloy and double capacity conductors, approximately HK$97.0 million in aggregate of the net proceeds had been fully utilised for setting up a manufacturing facility in South Africa, approximately HK$74.0 million of the net proceeds had been fully utilised for the upgrade and expansion of existing production facilities and enhancement of research and development capabilities, approximately HK$14.1 million of the net proceeds had been fully utilised for the acquisition of Jiangsu Zengyang Investment Company Limited in 2013, and out of approximately HK$148.0 million of the net proceeds which was allocated for the expansion of the Group's production facilities for high and extra-high voltage cables, only approximately HK$82.2 million had been utilised.

Financial summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 124.

An analysis of the Group's results by segment for the year ended 31 December 2016 is set out in Note 5 of Notes to the Consolidated Financial Statements.

Share capital

Details of movements during the year ended 31 December 2016 in the share capital of the Company are set out in Note 28 of Notes to the Consolidated Financial Statements.

Share premium and reserves

Details of movements during the year ended 31 December 2016 in the share premium and reserves of the Group are set out on the consolidated statement of changes in equity on page 69.

Directors

The Directors during the year ended 31 December 2016 and up to the date of this report were:

Former Chairman and Executive Director

Mr. Rui Fubin (resigned on 30 May 2016)

Chairman, Chief Executive Officer and Executive Director

Mr. Chu Hui (appointed as Chairman on 30 May 2016)

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

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

The Directors' biographical information is set out on pages 48 to 50.

Information regarding the Directors' emoluments is set out in Note 10 of Notes to the Consolidated Financial Statements.

Changes in information of Directors

Pursuant to Rule 13.51B (1) of the Listing Rules, there are changes in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules in the course of the Directors' term of office during the year under review. With effect from 16 August 2016, Mr. Poon Yick Pang Philip, has been appointed as an independent non-executive director of China Fordoo Holdings Limited (stock code: 2399), a company listed on the Main Board of the Stock Exchange.

Save as those disclosed above and in this annual report, there are no other matters that need to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

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 Listing Rules. 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 for 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 an 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 2016, 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, were as follows:

Long positions in the issued shares of the Company

Name of Director	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of interest (Note 1)
Mr. Chu Hui	Interest of a controlled corporation	1,248,800,000 *(Note 2)*	30.62%
	Beneficial owner	169,286,000 *(Note 3)*	4.15%
Ms. Xia Yafang	Beneficial owner	2,112,000 *(Note 4)*	0.05%
	Interest of spouse	2,000,000 *(Note 5)*	0.05%
Mr. Hao Minghui	Beneficial owner	2,000,000 *(Note 6)*	0.05%
Mr. Jiang Yongwei	Beneficial owner	2,000,000 *(Note 7)*	0.05%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 31 December 2016 (i.e. 4,078,866,000 shares) has been used for the calculation of the approximate percentage of interest.

(2) These shares were held by Power Heritage, which is wholly-owned by Mr. Chu Hui. Mr. Chu Hui is deemed to be interested in the shares held by Power Heritage by virtue of the SFO.

(3) These shares represent (i) 167,786,000 shares held by Mr. Chu Hui; and (ii) 1,500,000 shares awarded to him pursuant to the share award scheme (the "Scheme") of the Company which are yet to be vested.

(4) These shares represent (i) 612,000 shares held by Ms. Xia Yafang; and (ii) 1,500,000 shares awarded to her pursuant to the Scheme which are yet to be vested.

(5) These shares represent (i) 500,000 shares held by Mr. Han Wei, who is the spouse of Ms. Xia Yafang; and (ii) 1,500,000 shares awarded to him pursuant to the Scheme which are yet to be vested. Under the SFO, Ms. Xia Yafang is deemed to be interested in all the shares in which Mr. Han Wei is interested.

(6) These shares represent (i) 500,000 shares held by Mr. Hao Minghui; and (ii) 1,500,000 shares awarded to him pursuant to the Scheme which are yet to be vested.

(7) These shares represent (i) 500,000 shares held by Mr. Jiang Yongwei; and (ii) 1,500,000 shares awarded to him pursuant to the Scheme which are yet to be vested.

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

Substantial shareholders' and other persons' interests and short positions in the shares and underlying shares of the Company

As at 31 December 2016, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

Long positions in the issued shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of interest (Note 1)
Substantial shareholders			
Ms. Rui Yiyun	Interest of spouse	1,418,086,000 *(Note 2)*	34.77%
Power Heritage	Beneficial owner	1,248,800,000 *(Note 3)*	30.62%
Mr. Rui Yiping	Beneficial owner	448,000,000	10.98%
Ms. Pan Lanfen	Interest of spouse	448,000,000 *(Note 4)*	10.98%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 31 December 2016 (i.e. 4,078,866,000 shares) has been used for the calculation of the approximate percentage of interest.

(2) Under the SFO, Ms. Rui Yiyun, the spouse of Mr. Chu Hui, is deemed to be interested in all the shares in which Mr. Chu Hui is interested.

(3) These shares are held by Power Heritage, a company which is wholly-owned by Mr. Chu Hui.

(4) Under the SFO, Ms. Pan Lanfen, the spouse of Mr. Rui Yiping is deemed to be interested in all the shares in which Mr. Rui Yiping is interested.

Save as disclosed above, as at 31 December 2016, the Company has not been notified of any persons who had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO.

As at 31 December 2016, Mr. Chu Hui was a director of Power Heritage. Save as disclosed above, as at 31 December 2016, 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 Divisions 2 and 3 of Part XV of the SFO.

Connected transactions

During the year ended 31 December 2016, 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 do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

Contracts of significance

No contracts of significance to which the Company, its holding company or its subsidiaries was a party and in which a Director had a material interest, whether direct or indirect, subsisted at the end of the year or at any time during the year ended 31 December 2016.

Directors' interests in competing business

During the year ended 31 December 2016 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 2016.

Non-competing undertaking

Power Heritage (the controlling shareholder of the Company) ("Covenanter"), Mr. Rui Fubin (the former Chairman and a former executive Director) and Mr. Rui Yiping (a former executive Director and an existing substantial shareholder of the Company) 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 2016:

(a) the Covenanter has advised the Company that during the year under review, it has 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 Covenanter 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 Covenanter has 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 Covenanter.

After 31 December 2016, the Covenanter has provided written annual declaration on compliance with its non-competition undertaking for the year under review to the Company.

Arrangement to purchase shares or debentures

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 2016 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 the 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.

Operation of the Share Award Scheme

The Share Award Scheme is administered by the Board and Bank of Communications Trustee Limited ("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.

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 2016, 33,456,000 (2015: 15,040,000) Shares were acquired by the Trustee at a total consideration of approximately HK$39,935,000 (approximately RMB33,515,000) (2015: HK$24,720,000 (approximately RMB20,374,000)).

During the year ended 31 December 2016, 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. 8,825,000 Shares (2015: nil) were vested during the year ended 31 December 2016.

Retirement benefit scheme

With effect from 1 May 2011, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all its 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 Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (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). 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 2016, the Group made contribution to the MPF Scheme amounting to approximately HK$72,000.

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% for basic medical insurance, 1% for unemployment insurance, 2% for work-related injury insurance and 0.5% for maternity insurance respectively, and the contribution was based on the average salary of the workers in Yixing. During the year ended 31 December 2016, the Group made contribution to the Social Insurance in the PRC amounting to approximately RMB37.0 million.

No forfeited contribution under the MPF 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 2016, 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 or 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 its 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 2016 amounted to approximately RMB805,000 (2015: RMB890,712).

Major customers and suppliers

For the year ended 31 December 2016, the Group's largest customer accounted for approximately 12.5% (2015: 14.5%) of the Group's revenue and the five largest customers of the Group accounted for approximately 21.0% (2015: 22.2%) of the Group's revenue. For the year ended 31 December 2016, the Group's largest supplier accounted for approximately 42.8% (2015: 35.2%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 70.4% (2015: 70.7%) of the Group's purchases for the year.

At no time during the year ended 31 December 2016 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 shares during the year ended 31 December 2016.

Auditor

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2016. 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

Chu Hui
Chairman and Executive Director
Hong Kong, 16 March 2017

Deloitte. 德勤

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

Opinion

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 67 to 123, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of trade receivables	
We identified the valuation of trade receivables as a key audit matter due to its significance to the consolidated financial statements as a whole and the significant judgements involved on the Group management's credit risk assessment process on the recoverability of trade receivables. In determining the recoverability and allowance for trade receivables, the management considers the credit history, including default or delay in payments, settlement history and aging analysis of the trade receivables. As disclosed in note 20 to the consolidated financial statements, the carrying amount of trade receivables of the Group is approximately RMB3,204,785,000, net of allowance for bad and doubtful debts of RMB205,691,000 at 31 December 2016.	Our procedures in relation to assessing the appropriateness of the management's valuation of trade receivables included: • Understanding the key controls over the credit risk assessment and evaluating management's process on reviewing the recoverable amounts of trade receivables; • Assessing the reasonableness of allowance for the trade receivables with reference to the credit history, including default or delay in payments, settlement history and aging analysis of trade receivables; and • Testing on sample basis, the accuracy and completeness of the relevant debts aging and the details of the subsequent settlements.
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to significant judgements and assumptions are required by the management in assessing the impairment of goodwill. Determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating units to which goodwill has been allocated. The value in use is determined based on the cash flow forecast for the group of cash-generating units and requires the estimation of key assumptions, including suitable discount rates, growth rates and gross margin in order to calculate the present value. Impairment of goodwill should be assessed by comparing the recoverable amount of cash-generating units to which the goodwill is allocated to and the carrying value of the asset at the end of the reporting period. As disclosed in note 16 to the consolidated financial statements, the carrying amount of goodwill of the Group is RMB109,606,000 at 31 December 2016. Management of the Group determines that there is no impairment of goodwill.	Our procedures in relation to evaluating the management's impairment assessment of goodwill included: • Understanding the key controls relating to the preparation of the cash flow forecasts and impairment assessment; • Evaluating the reasonableness of the cash flow forecasts by comparing the historical financial forecast against actual performance; • Analysing the reasonableness of the assumptions made by the management in determining the value in use of the cash-generating units to which the goodwill is allocated to, including suitable discount rates, growth rates and gross margin by the management; and • Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(continued)

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Kwok Lai Sheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	5	**9,111,232**	9,167,273
Cost of goods sold		**(7,753,184)**	(7,685,477)
Gross profit		**1,358,048**	1,481,796
Other income	6	**84,925**	73,823
Selling and distribution costs		**(219,064)**	(202,727)
Administrative expenses		**(234,598)**	(179,185)
Other expenses		**(32,205)**	(30,732)
Other losses	7	**(68,540)**	(29,000)
Share of loss of associates	17	**(12,127)**	(1,139)
Finance costs	8	**(221,635)**	(243,316)
Profit before taxation	9	**654,804**	869,520
Taxation	11	**(124,930)**	(166,259)
Profit for the year		**529,874**	703,261
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**1,523**	(6,257)
Total comprehensive income for the year		**531,397**	697,004
Profit (loss) for the year attributable to:			
Owners of the Company		**531,322**	703,261
Non-controlling interest		**(1,448)**	—
		529,874	703,261
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**532,845**	697,004
Non-controlling interest		**(1,448)**	—
		531,397	697,004
Earnings per share	13		
— Basic		**RMB13.15 cents**	RMB18.76 cents
— Diluted		**RMB13.12 cents**	RMB18.67 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	*14*	**843,708**	789,806
Land use rights	*15*	**258,516**	258,064
Deposits paid for acquisition of property, plant and equipment		**8,998**	31,088
Goodwill	*16*	**109,606**	109,606
Interests in associates	*17*	**3,234**	14,267
Loan to an associate	*17*	**26,018**	19,773
Available-for-sale investment	*18*	**7,090**	7,090
Deferred tax assets	*27*	**3,890**	4,481
		1,261,060	1,234,175
Current assets			
Inventories	*19*	**3,809,255**	3,269,050
Trade and other receivables	*20*	**3,797,387**	3,591,852
Pledged bank deposits	*21*	**1,425,454**	1,892,902
Bank balances and cash	*21*	**2,172,465**	2,131,286
		11,204,561	10,885,090
Current liabilities			
Trade and other payables	*22*	**3,422,206**	3,253,568
Amounts due to directors	*23*	**5,798**	5,593
Bank borrowings — due within one year	*24*	**3,565,361**	3,770,161
Taxation payable		**103,235**	116,470
Obligation under a finance lease	*25*	**—**	231
		7,096,600	7,146,023
Net current assets		**4,107,961**	3,739,067
Total assets less current liabilities		**5,369,021**	4,973,242
Non-current liabilities			
Obligation under a finance lease	*25*	**—**	160
Government grants	*26*	**3,001**	6,594
Deferred tax liabilities	*27*	**68,928**	70,563
		71,929	77,317
Net assets		**5,297,092**	4,895,925
Capital and reserves			
Share capital	*28*	**32,951**	32,951
Reserves		**5,263,589**	4,862,974
Equity attributable to owners of the Company		**5,296,540**	4,895,925
Non-controlling interest		**552**	—
Total equity		**5,297,092**	4,895,925

The consolidated financial statements on pages 67 to 123 were approved and authorised for issue by the board of directors on 16 March 2017 and are signed on its behalf by:

Chu Hui
DIRECTOR

Xia Yafang
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Warrant reserve RMB'000 (Note 28 (b))	Shares held for share award scheme RMB'000 (Note 29)	Employee share-based compensation reserve RMB'000 (Note 29)	Non-distributable reserve RMB'000 (Note b)	Statutory reserve RMB'000 (Note c)	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2015	27,364	805,135	148,696	1,200	—	—	77,351	258,092	(23,666)	1,935,694	3,229,866	—	3,229,866
Exchange differences arising from translation of a foreign operation	—	—	—	—	—	—	—	—	(6,257)	—	(6,257)	—	(6,257)
Profit for the year	—	—	—	—	—	—	—	—	—	703,261	703,261	—	703,261
Total comprehensive (expense) income for the year	—	—	—	—	—	—	—	—	(6,257)	703,261	697,004	—	697,004
Issue of shares upon acquisition of subsidiaries *(Note 28 (a))*	2,381	583,425	—	—	—	—	—	—	—	—	585,806	—	585,806
Issue of shares upon exercise of warrants *(Note 28 (b))*	240	40,836	—	(240)	—	—	—	—	—	—	40,836	—	40,836
Issue of shares upon subscription *(Note 28 (c))*	2,966	575,292	—	—	—	—	—	—	—	—	578,258	—	578,258
Expense in connection with issue of shares *(Note 28 (c))*	—	(20,799)	—	—	—	—	—	—	—	—	(20,799)	—	(20,799)
Purchase of shares under share award scheme *(Note 29)*	—	—	—	—	(20,374)	—	—	—	—	—	(20,374)	—	(20,374)
Dividends recognised as distribution *(Note 12)*	—	—	—	—	—	—	—	—	—	(194,672)	(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	—	4,895,925
Exchange differences arising from translation of a foreign operation	—	—	—	—	—	—	—	—	1,523	—	1,523	—	1,523
Profit (loss) for the year	—	—	—	—	—	—	—	—	—	531,322	531,322	(1,448)	529,874
Total comprehensive income (expense) for the year	—	—	—	—	—	—	—	—	1,523	531,322	532,845	(1,448)	531,397
Capital contributed by non-controlling interest	—	—	—	—	—	—	—	—	—	—	—	2,000	2,000
Expiration of warrants	—	—	—	(960)	—	—	—	—	—	960	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	10,767	—	—	—	—	10,767	—	10,767
Shares vested under share award scheme	—	—	—	—	12,525	(7,839)	—	—	—	(4,686)	—	—	—
Purchase of shares under share award scheme *(Note 29)*	—	—	—	—	(33,515)	—	—	—	—	—	(33,515)	—	(33,515)
Dividends recognised as distribution *(Note 12)*	—	—	—	—	—	—	—	—	—	(109,482)	(109,482)	—	(109,482)
Transfers	—	—	—	—	—	—	—	67,345	—	(67,345)	—	—	—
At 31 December 2016	32,951	1,983,889	148,696	—	(41,364)	2,928	77,351	408,548	(28,400)	2,711,941	5,296,540	552	5,297,092

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 2016

	Notes	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		**654,804**	869,520
Adjustments for:			
Interest income		**(61,486)**	(51,012)
Finance costs		**221,635**	243,316
Depreciation of property, plant and equipment		**80,334**	73,087
Loss on disposal of property, plant and equipment		**3,514**	68
Operating lease rentals in respect of land use rights		**6,871**	6,284
Release of government grants		**(3,593)**	(3,593)
Allowance for bad and doubtful debts		**65,026**	24,834
Share of loss of associates		**12,127**	1,139
Recognition of equity-settled share-based payments		**10,767**	—
Loss on fair value change of contingent consideration payables	*7*	**—**	4,098
Operating cash flows before movements in working capital		**989,999**	1,167,741
Increase in inventories		**(540,205)**	(525,566)
Increase in trade and other receivables		**(270,412)**	(472,051)
Increase in trade and other payables		**162,175**	181,918
Cash generated from operations		**341,557**	352,042
PRC income tax paid		**(139,209)**	(142,359)
Net cash from operating activities		**202,348**	209,683
Investing activities			
Release of pledged bank deposits		**3,541,356**	3,296,205
Interest received		**59,501**	49,106
Proceeds from disposal of property, plant and equipment		**2,157**	6,016
Bank deposits pledged		**(3,073,908)**	(3,676,215)
Purchase of property, plant and equipment		**(105,761)**	(46,353)
Deposits paid for acquisition of property, plant and equipment		**(11,868)**	(28,896)
Payment for acquisition of land use rights		**(7,472)**	—
Acquisition of subsidiaries	*30*	**—**	(34,449)
Advance to an associate		**—**	(41)
Repayment from an associate		**—**	37
Net cash from (used in) investing activities		**404,005**	(434,590)

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Financing activities		
New bank borrowings raised	**4,444,977**	3,941,242
Advances from directors	**2,045**	1,930
Capital contribution from a non-controlling interest of a newly incorporated subsidiary	**2,000**	—
Repayment of bank borrowings	**(4,649,777)**	(3,388,252)
Interest paid	**(221,635)**	(243,316)
Dividends paid	**(109,482)**	(194,672)
Purchase of shares under share award scheme	**(33,515)**	(20,374)
Repayment to directors	**(1,840)**	(337)
Repayment of obligation under a finance lease	**(391)**	(191)
Issue of shares	**—**	619,094
Expense in connection with issue of shares	**—**	(20,799)
Net cash (used in) from financing activities	**(567,618)**	694,325
Net increase in cash and cash equivalents	**38,735**	469,418
Cash and cash equivalents at beginning of the year	**2,131,286**	1,666,153
Effect of foreign exchange rate changes	**2,444**	(4,285)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**2,172,465**	2,131,286

1. General

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate and ultimate holding company of the Company is Power Heritage Group Limited ("Power Heritage"), a company which was 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 in 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 Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

The application of the above amendments to 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.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and the related amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("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 attributable to a financial liability's 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 is presented in profit or loss.

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

HKFRS 9 "Financial instruments" *(continued)*

- 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 mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investment, including that currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Further prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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

HKFRS 15 "Revenue from contracts with customers" *(continued)*

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may enhance the disclosures and has no material impact on the amounts reported in the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed from lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately RMB2,512,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the management complete a detailed review.

The directors of the Company do not anticipate that the application of the other amendments to HKFRSs will have a material effect on the Group's financial performance and positions and/or the disclosures set out in these consolidated financial statements.

3. Significant Accounting Policies

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

3. Significant Accounting Policies *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Business combinations

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

3. Significant Accounting Policies *(continued)*

Business combinations *(continued)*

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or 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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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 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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. Significant Accounting Policies *(continued)*

Goodwill *(continued)*

A CGU (or groups of CGUs) 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 (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGUs).

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 like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

3. Significant Accounting Policies *(continued)*

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. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

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

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes. 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. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the asset are ready for their intended use.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3. Significant Accounting Policies *(continued)*

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. 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, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Land use rights and leasehold building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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.

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 added to the cost of those assets until such time as 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.

3. Significant Accounting Policies *(continued)*

Research and development costs

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

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling prices for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses of tangible assets

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

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

3. Significant Accounting Policies *(continued)*

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

Financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan to an associate, pledged bank deposits and bank balances and cash) are 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.

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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.

Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period granted, observable changes in national or local economic conditions that correlate with default on trade receivables.

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

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 the Group 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 at amortised cost

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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, 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.

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

3. Significant Accounting Policies *(continued)*

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 employee share-based compensation scheme. Accordingly, the related expense of the granted shares vested is reversed from employee share-based compensation award reserve. The difference arising from such transfer is debited/credited to accumulated 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.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments 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.

3. Significant Accounting Policies *(continued)*

Taxation *(continued)*

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

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

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of 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 expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are 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 on-going 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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of goodwill

Determining whether goodwill is impaired required an estimation of the recoverable amount of the CGU to which goodwill have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. At 31 December 2016, the carrying amount of goodwill is approximately RMB109,606,000 (2015: RMB109,606,000). Details of the recoverable amount calculation are disclosed in note 16.

Valuation of trade receivables

The Group makes allowance for bad and doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration of the credit history of the trade receivables including default or delay in payments, settlement history and aging analysis of the trade receivables. Following the identification of doubtful debts, the credit team discusses with the relevant customers and reports on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further allowance for bad and doubtful debts is required. At 31 December 2016, the carrying amount of trade receivables are approximately RMB3,204,785,000 (2015: RMB3,121,978,000) (net of allowance for bad and doubtful debts of RMB205,691,000 (2015: RMB140,665,000)).

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 2016, the carrying amount of inventories are approximately RMB3,809,255,000 (2015: RMB3,269,050,000).

5. Turnover and Segment Information

The Group's chief operating decision maker has been identified as the executive directors of the Company ("Executive Directors") who review 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 profit 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 income, other losses, other expenses, selling and distribution costs, administrative expenses, finance costs and share of loss of associates are not allocated to each reportable segment. The segment results are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

The information of segment results are as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
— power cables	**6,414,183**	6,390,004
— wires and cables for electrical equipment	**1,697,625**	1,705,223
— bare wires	**511,190**	502,623
— special cables	**488,234**	569,423
	9,111,232	9,167,273
Cost of goods sold		
— power cables	**5,421,306**	5,310,637
— wires and cables for electrical equipment	**1,496,536**	1,480,965
— bare wires	**457,898**	432,015
— special cables	**377,444**	461,860
	7,753,184	7,685,477
Segment results		
— power cables	**992,877**	1,079,367
— wires and cables for electrical equipment	**201,089**	224,258
— bare wires	**53,292**	70,608
— special cables	**110,790**	107,563
	1,358,048	1,481,796

5. Turnover and Segment Information *(continued)*

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

	2016 RMB'000	2015 RMB'000
Reportable segment results	1,358,048	1,481,796
Unallocated income and expenses		
— Other income	84,925	73,823
— Selling and distribution costs	(219,064)	(202,727)
— Administrative expenses	(234,598)	(179,185)
— Other expenses	(32,205)	(30,732)
— Other losses	(68,540)	(29,000)
— Share of loss of associates	(12,127)	(1,139)
— Finance costs	(221,635)	(243,316)
Profit before taxation	654,804	869,520

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 People's Republic of China (the "PRC") for both years. More than 90% of the Group's non-current assets were located in the PRC at 31 December 2016 and 2015.

Information about major customers

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

	2016 RMB'000	2015 RMB'000
Customer A[1]	1,142,578	1,328,919

[1] Revenue from sales of wires and cables.

6. Other Income

	2016 RMB'000	2015 RMB'000
Interest income	61,486	51,012
Government subsidies *(note)*	18,782	10,493
Others	4,657	12,318
	84,925	73,823

Note: Included in the amount are approximately RMB927,000 (2015: RMB927,000) and approximately RMB2,666,000 (2015: RMB2,666,000) 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, and all of them had no specific conditions imposed.

7. Other Losses

	2016 RMB'000	2015 RMB'000
Allowance for bad and doubtful debts	65,026	24,834
Loss on disposal of property, plant and equipment	3,514	68
Loss on fair value change of contingent consideration payables *(note)*	—	4,098
	68,540	29,000

Note:

On 29 April 2015, the Group acquired 100% equity interest in New Sun Investments Limited ("New Sun", together with its subsidiaries, "New Sun Group") 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", together with its subsidiaries, "Kai Da Group") from KDG Investment Limited, an independent third party, for a consideration of approximately RMB369,903,000, respectively.

Based on the sale and purchase agreement entered into by, among others, a subsidiary of the Company and Nexus NS Limited, the Group was 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 ("Wuxi New Sun") for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, was equal to or more than RMB51,719,700. The fair value of this obligation at the date of the acquisition based on the valuation report from an independent qualified professional valuer was RMB31,600,000.

Based on the sale and purchase agreement entered into by, among others, a subsidiary of the Company and KDG Investment Limited, the Group was 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 ("Jiangsu Kai Da"), for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, was equal to or more than RMB49,380,000. The fair value of this obligation at the date of the acquisition based on the valuation report from an independent qualified professional valuer was RMB29,000,000.

Included in the amount for the year ended 31 December 2015 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 RMB719,000 from Kai Da Group. The contingent consideration payables are classified as liabilities under trade and other payables (note 22) and the fair value change between the date of the acquisition and 31 December 2015 is recognised in profit and loss.

8. Finance Costs

	2016 RMB'000	2015 RMB'000
Interests on bank borrowings	221,635	243,316

9. Profit Before Taxation

	2016 RMB'000	2015 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	4,955	2,998
Other staff cost:		
Salaries and other benefits	200,742	198,082
Share award expenses	8,335	—
Contributions to retirement benefit schemes	37,028	25,364
Total staff costs	251,060	226,444
Less: Staff costs included in research and development costs	(17,368)	(16,349)
	233,692	210,095
Depreciation of property, plant and equipment	80,334	73,087
Less: Depreciation included in research and development costs	(2,930)	(2,848)
	77,404	70,239
Auditor's remuneration	2,900	3,483
Acquisition-related costs (included in other expenses)	—	176
Minimum lease payment under operating lease in respect of properties	2,443	3,098
Operating lease rentals in respect of land use rights	6,871	6,284
Research and development costs (included in other expenses)	32,205	30,556

10. 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 benefit schemes contribution RMB'000	Share award expenses RMB'000	Total RMB'000
For the year ended 31 December 2016						
Executive directors:						
Chu Hui *(note a)*	—	610	—	20	608	1,238
Rui Fubin *(note b)*	—	353	—	—	—	353
Jiang Yongwei	—	371	—	10	608	989
Xia Yafang	—	430	—	10	608	1,048
Hao Minghui	—	361	—	10	608	979
Independent non-executive directors:						
Poon Yick Pang Philip	174	—	—	—	—	174
He Zhisong	87	—	—	—	—	87
Yang Rongkai	87	—	—	—	—	87
	348	2,125	—	50	2,432	4,955

	Fees RMB'000	Basic salaries and allowances RMB'000	Bonus RMB'000	Retirement benefit schemes contribution RMB'000	Total RMB'000
For the year ended 31 December 2015					
Executive directors:					
Chu Hui	—	608	—	18	626
Rui Fubin	—	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

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

Notes:

(a) Mr. Chu Hui is the chief executive officer ("CEO") of the Company and was appointed as the chairman of the board of directors ("Board") on 30 May 2016. His emoluments disclosed above include those services rendered by him as the chairman of the Board and CEO of the Company since his appointment.

(b) Mr. Rui Fubin has resigned as the chairman of the Board and an executive director of the Company on 30 May 2016 and his emoluments disclosed above include those services rendered by him as the chairman of the Board and an executive director of the Company before his resignation.

The five highest paid individuals for the year ended 31 December 2016 included four (2015: four) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2015: one) individual, for the year were as follows:

	2016 **RMB'000**	2015 RMB'000
Employee		
— basic salaries and allowances	**1,142**	1,079
— bonus	**—**	—
— retirement benefit schemes contribution	**16**	15
— share award expenses	**891**	—
	2,049	1,094

The emoluments of the one (2015: one) individual with the highest emoluments is within the following bands:

	2016 **Number of individual**	2015 Number of individual
HK$1,000,001 to HK$1,500,000	**—**	1
HK$2,000,001 to HK$2,500,000	**1**	—

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

11. Taxation

	2016 **RMB'000**	2015 RMB'000
The charge (credit) comprises:		
PRC income tax	**125,974**	180,152
Net deferred taxation credit *(note 27)*	**(1,044)**	(13,893)
Taxation charge for the year	**124,930**	166,259

11. Taxation *(continued)*

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 PRC on Enterprise Income Tax ("EIT Law") and the Regulations of the PRC on the Implementation of the EIT Law, the tax rate of the PRC subsidiaries has been 25% from 1 January 2008 onward. Pursuant to the approval published on the website of the Yixing Provincial Commission of Science and Technology, Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) ("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 and was charged income tax in the PRC at a reduced 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 and was charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2017.

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

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.

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

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

	2016 **RMB'000**	2015 RMB'000
Profit before taxation	**654,804**	869,520
Tax at the applicable tax rate *(Note)*	**163,701**	217,380
Tax effect of expenses not deductible for tax purpose	**17,397**	11,976
Tax effect of income not taxable for tax purpose	**(3,570)**	(3,183)
Tax effect of tax concession granted to PRC subsidiaries	**(58,064)**	(74,712)
Tax effect of deductible temporary differences not recognised	**(4,629)**	2,874
Tax effect of share of loss of associates	**3,032**	308
Withholding tax on undistributed earnings	**10,946**	13,756
Others	**(3,883)**	(2,140)
Taxation for the year	**124,930**	166,259

Note: The applicable income tax rate represents PRC income tax rate at 25% (2015: 25%) for the year ended 31 December 2016 as the Group's operations are substantially based in the PRC.

12. Dividends

	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution during the year:		
2016 Interim dividend — nil (2015: 2015 Interim dividend HK2.5 cents per share)	—	83,387
2015 Final dividend — HK3.1 cents (2015: 2014 Final dividend of HK3.7 cents) per share	109,482	111,285
	109,482	194,672

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 2016 (2015: HK3.1 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.

13. 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:

	2016 RMB'000	2015 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to the owners of the Company)	531,322	703,261

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme for the purpose of calculation of basic earnings per share	4,041,507	3,749,256
Effect of dilutive potential ordinary shares:		
Warrants	—	17,587
Shares granted under the share award scheme	7,289	—
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	4,048,796	3,766,843

For the year ended 31 December 2016, the weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share has been adjusted for the shares granted on 28 January 2016 pursuant to the share award scheme adopted by the Company on 9 September 2015.

For the year ended 31 December 2015, the weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share has been adjusted for the issue of warrants that took place on 23 April 2014. As at 31 December 2016, all the warrants have expired.

14. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2015	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 30)*	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
Currency realignment	—	—	276	78	—	354
Additions	12,245	20,362	2,394	2,454	102,264	139,719
Disposals	—	(11,109)	(10,108)	(803)	—	(22,020)
Transfer	59,283	55,268	1,855	51	(116,457)	—
At 31 December 2016	546,377	515,458	30,771	39,282	97,801	1,229,689
DEPRECIATION						
At 1 January 2015	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
Currency realignment	—	—	111	55	—	166
Provided for the year	26,023	46,091	4,677	3,543	—	80,334
Eliminated on disposal	—	(7,903)	(7,723)	(723)	—	(16,349)
At 31 December 2016	119,437	226,680	16,972	22,892	—	385,981
CARRYING VALUES						
At 31 December 2016	426,940	288,778	13,799	16,390	97,801	843,708
At 31 December 2015	381,435	262,445	16,447	17,485	111,994	789,806

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

At 31 December 2016, the Group pledged certain of its buildings and machinery with carrying value of approximately RMB183,708,000 and approximately RMB58,476,000, respectively, (2015: RMB209,650,000 and RMB97,442,000, respectively) to certain banks to secure credit facilities granted to the Group.

14. 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%

15. Land Use Rights

	2016 RMB'000	2015 RMB'000
Carrying amount		
At beginning of the year	264,836	209,220
Addition	7,472	—
Acquisition of subsidiaries *(note 30)*	—	61,900
Charge to profit or loss for the year	(6,871)	(6,284)
At end of the year	265,437	264,836
Analysed for reporting purpose as:		
Current portion *(note 20)*	6,921	6,772
Non-current portion	258,516	258,064
	265,437	264,836

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 2016, the Group has pledged the land use rights with a carrying amount of RMB242,839,000 (2015: RMB220,246,000) to certain banks to secure the credit facilities granted to the Group.

16. Goodwill

	RMB'000
At 1 January 2015	—
Arising on acquisition of subsidiaries *(note 30)*	109,606
At 31 December 2015 and 31 December 2016	109,606

For the purpose of impairment testing, goodwill arising from business combinations has been allocated to the following CGUs:

	2016 & 2015 RMB'000
New Sun	54,831
Kai Da	54,775
	109,606

During the year ended 31 December 2016, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

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

The recoverable amounts 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, a growth rate of 10% (2015: 10%) and a discount rate of 10.86% (2015: 10.61%) per annum for New Sun and 10.60% (2015: 10.34%) per annum for Kai Da. Cash flows beyond the 5-year period are extrapolated with a 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budget sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

17. Interests in Associates/Loan to an Associate

	2016 **RMB'000**	2015 RMB'000
Cost of investments in associates, unlisted	**15,309**	15,266
Impairment loss recognised	**(250)**	(207)
Share of post-acquisition losses and other comprehensive expense, net of dividends received	**(11,825)**	(792)
	3,234	14,267

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

	2016 RMB'000	2015 RMB'000
Loan to an associate	**32,212**	24,873
Less: Share of post-acquisition losses that are in excess of the cost of the investment	**(6,194)**	(5,100)
	26,018	19,773

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

Name of entity	Form of entity	Country of incorporation/ establishment	Principal place of operation	Proportion of ownership interest held by the Group 2016 & 2015	Proportion of voting rights held by the Group 2016 & 2015	Principal activity
江蘇和順典當有限公司 (“江蘇和順”)	Incorporated	PRC	PRC	30%	30%	Business of pawn broking
Wuxi Tech (Proprietary) Ltd. ("Wuxi Tech")	Incorporated	South Africa	South Africa	49%	49%	Manufacture of 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

	2016 RMB'000	2015 RMB'000
Current assets	**13,618**	50,354
Non-current assets	**79**	541
Current liabilities	**(2,917)**	(3,338)
Net assets	**10,780**	47,557
Revenue	**266**	659
Loss and total comprehensive expense for the year	**(36,777)**	(1,274)

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

江蘇和順 *(continued)*

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

	2016 RMB'000	2015 RMB'000
Net assets of 江蘇和順	10,780	47,557
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	3,234	14,267

Wuxi Tech

	2016 RMB'000	2015 RMB'000
Current assets	91,566	52,574
Non-current assets	6,366	6,234
Current liabilities	(77,711)	(41,841)
Non-current liabilities	(32,210)	(24,872)
Net liabilities	(11,989)	(7,905)
Revenue	86,206	52,971
Loss and total comprehensive expense for the year	(2,232)	(1,545)

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

	2016 RMB'000	2015 RMB'000
Net liabilities of Wuxi Tech	(11,989)	(7,905)
Proportion of the Group's ownership interest in Wuxi Tech	49%	49%
	(5,875)	(3,873)
Effect of net liabilities not recognised by the Group	5,875	3,873
Carrying amount of the Group's interest in Wuxi Tech	—	—

18. Available-For-Sale Investment

The amount represents the Group's 0.82% (2015: 0.82%) equity investment in an unlisted private enterprise in the PRC. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

19. Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	41,096	42,641
Work in progress	2,469,336	2,294,023
Finished goods	1,298,823	932,386
	3,809,255	3,269,050

20. Trade and Other Receivables

	2016 RMB'000	2015 RMB'000
Trade receivables, net	3,204,785	3,121,978
Bills receivables	278,509	282,927
	3,483,294	3,404,905
Current portion of land use rights (note 15)	6,921	6,772
Deposits paid to suppliers	100,418	52,054
Prepayments	26,648	28,010
Staff advances	4,284	4,648
Tender deposits	101,167	63,147
Value-added tax receivables	6,387	2,478
Other receivables	68,268	29,838
	3,797,387	3,591,852

The Group normally allows credit terms ranging from 30 days 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 dates at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Age		
0 to 90 days	1,811,887	1,982,375
91 to 180 days	674,564	659,752
181 to 365 days	550,467	488,725
Over 365 days	446,376	274,053
	3,483,294	3,404,905

20. Trade and Other Receivables *(continued)*

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately RMB1,605,260,000 (2015: RMB1,310,035,000) at 31 December 2016, 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 assess the recoverability of its trade debtors and consider whether any amounts are impaired and provided for impairment loss. Except for those trade debts that are considered to be individually impaired, the remaining trade and bills receivables that are past due but not impaired, in the opinion of the management, are recoverable as there has been continuing settlement from these customers. The Group does not hold any collateral over these balances.

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

	2016 RMB'000	2015 RMB'000
Age		
0 to 90 days	**75,203**	88,865
91 to 180 days	**533,214**	479,108
181 to 365 days	**550,467**	468,009
Over 365 days	**446,376**	274,053
	1,605,260	1,310,035

In determining the recoverability of the trade receivables, the Group takes into consideration of credit history of trade receivables including default or delay in payments, settlement history and aging analysis of trade receivables. 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 2016, trade receivables of approximately RMB111,156,000 (2015: RMB96,930,000) have been discounted to the banks with recourse. Accordingly, the Group continues to include these discounted receivables and has recognised the cash received as bank borrowing with the same amount (see note 24) until maturity.

No interest is charged on trade receivables.

Movement in the allowance for bad and doubtful debts:

	2016 RMB'000	2015 RMB'000
At beginning of the year	**140,665**	115,831
Allowance for the year	**65,026**	24,834
At end of the year	**205,691**	140,665

20. 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:

	2016	2015
	RMB'000	RMB'000
United States dollars	**16,214**	11,135
Hong Kong dollars	**—**	427
Singapore dollars	**101,888**	87,062

21. Pledged Bank Deposits/Bank Balances and Cash

The pledged bank deposits carry interest at prevailing market rate ranging from 1.10% to 3.47% per annum (2015: 0.16% to 2.30% per annum) at 31 December 2016.

At 31 December 2016 and 31 December 2015, the entire pledged bank deposits represent deposits pledged to banks to secure the bank facilities drawn and the issuance of bills payable by the Group.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging from 0.01% to 3.30% per annum (2015: 0.01% to 2.60% per annum) at 31 December 2016.

Included in bank balances and cash and pledged bank deposits are the following amounts denominated in currencies other than functional currency of the Group entities that it relates:

	2016	2015
	RMB'000	RMB'000
United States dollars	**103,458**	344,123
Hong Kong dollars	**10,102**	13,769
Singapore dollars	**6,232**	10,873
Euro dollars	**2**	13,670

22. Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Trade payables	**1,098,679**	820,216
Bills payables	**1,454,793**	1,756,141
	2,553,472	2,576,357
Payroll and welfare accruals	**82,062**	108,660
Receipts in advances from customers	**533,696**	314,473
Cash consideration payables (note 30)	**66,000**	66,000
Contingent consideration payables (note 30)	**64,698**	64,698
Construction work payables	**—**	13,257
Other tax payables	**27,004**	22,312
Other deposits	**3,191**	944
Other payables and accruals	**92,083**	86,867
	3,422,206	3,253,568

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

	2016 RMB'000	2015 RMB'000
Age		
0 to 90 days	**1,917,128**	2,295,705
91 to 180 days	**574,835**	222,658
181 to 365 days	**23,610**	49,444
Over 1 year	**37,899**	8,550
	2,553,472	2,576,357

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

	2016 RMB'000	2015 RMB'000
United States dollars	**180**	223,613
Hong Kong dollars	**—**	1,634

23. 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.

24. Bank Borrowings — Due Within One Year

	2016 RMB'000	2015 RMB'000
Secured	726,649	1,000,519
Secured and guaranteed by independent third parties	305,000	400,000
Unsecured	1,068,850	627,403
Unsecured and guaranteed by independent third parties	1,464,862	1,742,239
	3,565,361	3,770,161
The bank borrowings comprise:		
Variable rate borrowings	407,202	1,129,884
Fixed rate borrowings	3,047,003	2,543,347
Discounted bills with recourse (note 20)	111,156	96,930
	3,565,361	3,770,161

At 31 December 2016, the fixed rate bank borrowings carried interest ranging from 0.4% to 6.5% per annum (2015: 1.14% to 8% per annum).

At 31 December 2016, the variable rate bank borrowings carried interest ranging from yearly bank's EUR cost of fund +1.05% to 3-months USD London Interbank Offered Rate ("LIBOR") + 2% per annum (2015: LIBOR + 1% to 140% of PBOC rate per annum).

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

	2016 RMB'000	2015 RMB'000
United States dollars	47,172	47,403
Hong Kong dollars	—	277,068
Euro dollars	272,434	—

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:

	2016 RMB'000	2015 RMB'000
For bank borrowings:		
— property, plant and equipment	242,184	307,092
— land use rights	242,839	220,246
For bank borrowings and bills payables:		
— pledged bank deposits	1,425,454	1,892,902
	1,910,477	2,420,240

25. Obligation Under a Finance Lease

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

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under a finance lease				
Within one year	**—**	245	**—**	231
In more than one year and not more than five years	**—**	163	**—**	160
	—	408	**—**	391
Less: future finance charges	**—**	(17)	**N/A**	N/A
Present value of lease obligation	**—**	391	**—**	391
Less: amounts due for settlement within 12 months (shown under current liabilities)			**—**	(231)
Amounts due for settlement after 12 months			**—**	160

During the current year, the obligation under a finance lease has been fully settled by early repayment.

Financial lease obligation as at 31 December 2015 was denominated in Hong Kong dollars.

26. Government Grants

	2016	2015
	RMB'000	RMB'000
At beginning of the year	**6,594**	10,187
Release during the year	**(3,593)**	(3,593)
At end of the year	**3,001**	6,594

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 in prior years. The relevant conditions of these subsidies were fulfilled before recognition and such subsidies were non-recurring in nature. The amounts had been treated as deferred income and will be transferred to income over the useful lives of the relevant assets and the projects' lives.

27. Deferred Taxation

The following is the deferred tax (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 2015	(5,072)	37,963	24,334	57,225
Acquisition of subsidiaries *(note 30)*	—	—	22,750	22,750
Charged (credited) to profit or loss for the year *(note 11)*	591	13,756	(2,000)	12,347
Released upon dividend declared *(note 11)*	—	(26,240)	—	(26,240)
At 31 December 2015	(4,481)	25,479	45,084	66,082
Charged (credited) to profit or loss for the year *(note 11)*	591	10,946	(2,581)	8,956
Released upon dividend declared *(note 11)*	—	(10,000)	—	(10,000)
At 31 December 2016	(3,890)	26,425	42,503	65,038

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

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**3,890**	4,481
Deferred tax liabilities	**(68,928)**	(70,563)
	(65,038)	(66,082)

Deferred tax liability on the undistributed profits of the PRC subsidiaries earned during the year ended 31 December 2016 have been accrued at the tax rate of 10% (2015: 10%) on the expected dividend stream of 25% out of the undistributed profits of the PRC subsidiaries for each year which is determined by the directors of the Company. At 31 December 2016, an amount of approximately RMB264,250,000 (2015: RMB254,790,000) 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 RMB2,147,654,000 (2015: RMB1,852,109,000).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB205,691,000 (2015: RMB140,665,000) in respect of its allowance for bad and doubtful debts. No deferred tax asset has been recognised in relation to such deductible temporary difference as, in the opinion of the directors of the Company, that allowance for bad and doubtful debts is not highly probable to be utilised as that amount is subject to approval by the relevant tax authority in the PRC and not intended to be claimed by the Group in the foreseeable future.

28. Share Capital

Movements in the authorised and 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 2015, 31 December 2015 and 31 December 2016	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2015	3,380,580,000	33,805,800	27,364
Issue of shares upon acquisition of subsidiaries *(note a) (note 30)*	297,480,000	2,974,800	2,381
Issue of shares upon exercise of warrants *(note b)*	30,000,000	300,000	240
Issue of shares upon subscription *(note c)*	370,806,000	3,708,060	2,966
At 31 December 2015 and 31 December 2016	4,078,866,000	40,788,660	32,951

Notes:

(a) 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.

(b) 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 an 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 an 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 an aggregate amount of RMB163,200,000 (approximately HK$204,000,000) for shares of the Company remained outstanding. During the year ended 31 December 2016, the remaining outstanding warrants entitling the holders thereof to subscribe in cash up to an aggregate amount of RMB163,200,000 (approximately HK$204,000,000) for shares of the Company expired.

(c) On 24 July 2015, the Company, Power Heritage (which was then owned as to 83% by Mr. Rui Fubin, who was the chairman of the Company and an Executive Director at that time) 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 were third parties 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 would 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 Placing Shares 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 approximately 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) were recognised in equity during the year ended 31 December 2015.

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

29. 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 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.

During the year ended 31 December 2016, 33,456,000 ordinary shares of the Company were acquired by the trustee at a total consideration of HK$39,935,000 (approximately RMB33,515,000).

On 28 January 2016, the Directors resolved to grant an aggregate of 35,300,000 shares in the capital of the Company (the "Awarded Shares") to certain employees and members of the management of the Group ("Qualified Employees") who shall remain employment within the Group during the vesting periods pursuant to the share award scheme. Subject to the fulfillment of certain performance conditions set by the Board to each Qualified Employee, 25% of Awarded Shares shall vest on each of 1 April 2016, 1 April 2017, 1 April 2018, 1 April 2019 respectively.

The fair value of the Awarded Shares granted was determined with reference to market value of the shares on the grant date taking into account the price volatility of the Company, risk-free rate and the vesting period as well as the exclusion of the expected dividends, as the employees are not entitled to receive dividends paid during the vesting period. The fair value of the Awarded Shares on the grant date was approximately HK$30,182,000 (approximately RMB25,385,000). The total amount charged to profit or loss in respect of the fair value of the Awarded Shares amounted to approximately HK$12,718,000 (approximately RMB10,767,000) for the year ended 31 December 2016.

29. Share Award Scheme *(continued)*

Movements of the shares granted to employees and members of the management of the Group and vested under the share award scheme were as follows:

	Number of shares '000
Outstanding as at 1 January 2015 and 31 December 2015	—
Awarded Shares granted on 28 January 2016	35,300
Awarded Shares vested *(Note)*	(8,825)
Outstanding as at 31 December 2016	26,475

Note: The first vesting, being 25% of the Awarded Shares, was vested on 1 April 2016 to Qualified Employees.

Movements of shares purchased under the share award scheme were as follows:

	Number of shares purchased '000	Cost of purchase HK$'000	Cost of purchase RMB'000
At 1 January 2015	—	—	—
Shares purchased from the market during the year	15,040	24,720	20,374
At 31 December 2015	15,040	24,720	20,374
Shares purchased from the market during the year	33,456	39,935	33,515
Shares transferred out upon vested	(8,825)	(15,280)	(12,525)
At 31 December 2016	39,671	49,375	41,364

30. 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 2015 or the date on which all the relevant external guarantees provided by Wuxi New Sun and all the relevant account receivables of Wuxi New Sun 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 Wuxi New Sun for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, equal to or more than RMB51,719,700 ("New Sun Profit Guarantee"). 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 with reference to the fulfillment of the New Sun Profit Guarantee.

30. Acquisition of Subsidiaries *(continued)*

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

Consideration transferred *(continued)*

Assets acquired and liabilities recognised at the date of acquisition are 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 from 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 the acquisition is expected to be deductible for tax purposes.

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 from acquisition	15,379

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

30. Acquisition of Subsidiaries *(continued)*

(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 2015 or the date on which all the relevant external guarantees provided by Jiangsu Kai Da and all the relevant account receivables of Jiangsu Kai Da 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 Jiangsu Kai Da, for the year ended 31 December 2015 in accordance with the applicable PRC accounting principles, equal to or more than RMB49,380,000 ("Kai Da Profit Guarantee"). 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 with reference to the fulfillment of the Kai Da Profit Guarantee.

30. Acquisition of Subsidiaries *(continued)*

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

Consideration transferred *(continued)*

Assets acquired and liabilities recognised at the date of acquisition are 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 from 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 the acquisition is expected to be deductible for tax purposes.

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 from acquisition	19,070

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

30. Acquisition of Subsidiaries *(continued)*

Impact of the 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 acquisitions been completed on 1 January 2015, nor is it intended to be a projection of future results.

31. Capital Risk Management

The Group manages its capital to ensure that entities in the Group 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 from prior 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 issued share capital, reserves and accumulated profits as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

32. Financial Instruments

Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**7,352,923**	7,541,851
Available-for-sale investment	**7,090**	7,090
Financial liabilities		
Amortised cost	**6,342,849**	6,662,182

Financial risk management objectives and policies

The Group's 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.

32. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Interest rate risk

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

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

If the interest rates on pledged bank deposits, bank balances and variable rate bank borrowings had been 25 basis points (2015: 25 basis points) lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2016 RMB'000	2015 RMB'000
Decrease in profit for the year	**7,644**	7,103

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 2016, approximately 3% (2015: 3%) of the Group's sales are denominated in currency other than the functional currency of the group entity which it relates.

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

	2016		2015	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
United States dollars	**119,672**	**47,352**	355,258	271,016
Hong Kong dollars	**10,102**	**—**	14,196	278,702
Singapore dollars	**108,120**	**—**	97,935	—
Euro dollars	**2**	**272,434**	13,670	—

32. 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, Singapore dollars and Euro dollars. The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in 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% (2015: 5%) change in foreign currency rates. If RMB strengthens 5% (2015: 5%) against the relevant foreign currencies, the (decrease) increase in profit for the year is as follows:

	2016 **RMB'000**	2015 RMB'000
United States dollars	**(3,074)**	(3,580)
Hong Kong dollars	**(429)**	11,242
Singapore dollars	**(4,595)**	(4,162)
Euro dollars	**11,578**	(580)

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 credit team and taking legal action 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 details of trade and bills receivables which are past due but not impaired at the end of the reporting period are disclosed in note 20.

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

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.

32. Financial Instruments *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

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 2 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2016						
Trade and other payables	—	2,771,690	—	—	2,771,690	2,771,690
Amounts due to directors	—	5,798	—	—	5,798	5,798
Discounted bills with recourse	—	111,156	—	—	111,156	111,156
Bank borrowings:						
— variable rate	3.25	273,145	139,758	—	412,903	407,202
— fixed rate	4.25	2,036,337	1,066,790	—	3,103,127	3,047,003
		5,198,126	1,206,548	—	6,404,674	6,342,849
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

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.

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:

	2016 RMB'000	2015 RMB'000
Within one year	1,615	1,702
In the second to fifth year inclusive	897	2,361
	2,512	4,063

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

34. Capital Commitment

	2016 RMB'000	2015 RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	18,130	5,504

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 per month for each employee.

36. Related Parties Transactions

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

	2016 RMB'000	2015 RMB'000
Sales of goods to an associate	81,121	38,810
Purchase of goods from an associate	2,517	1,933
Interest income from an associate	6,305	4,721
Amount due from an associate included in trade receivables	76,348	33,897

Other than the transactions and balances with related parties above and those disclosed in notes 17, 23 and 24 during the year, the Group had 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 is set out in note 10.

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:

	2016 RMB'000	2015 RMB'000
Non-current assets		
Property, plant and equipment	**38**	61
Investment in a subsidiary	**517,162**	517,162
	517,200	517,223
Current assets		
Other receivables	**785**	338
Amounts due from subsidiaries	**1,899,423**	2,002,166
Pledged bank deposits	**—**	2,009
Bank balances and cash	**13,550**	8,709
	1,913,758	2,013,222
Current liabilities		
Other payables	**4,028**	4,092
Amounts due to directors	**3,417**	3,218
Bank borrowings — due within one year	**184,602**	277,068
	192,047	284,378
Net current assets	**1,721,711**	1,728,844
Net assets	**2,238,911**	2,246,067
Capital and reserves		
Share capital	**32,951**	32,951
Reserves (note 38)	**2,205,960**	2,213,116
Total equity	**2,238,911**	2,246,067

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	Employee share-based compensation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2015	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 30)*	583,425	—	—	—	—	—	583,425
Issue of shares upon exercise of warrants *(note 28)*	40,836	—	(240)	—	—	—	40,596
Issue of shares upon subscription *(note 28)*	575,292	—	—	—	—	—	575,292
Expense in connection with issue of shares *(note 28)*	(20,799)	—	—	—	—	—	(20,799)
Purchase of shares under share award scheme *(note 29)*	—	—	—	(20,374)	—	—	(20,374)
Dividends recognised as distribution *(note 12)*	—	—	—	—	—	(194,672)	(194,672)
At 31 December 2015	1,983,889	148,696	960	(20,374)	—	99,945	2,213,116
Profit for the year	—	—	—	—	—	125,074	125,074
Recognition of equity-settled share-based payments	—	—	—	—	10,767	—	10,767
Shares vested under share award scheme	—	—	—	12,525	(7,839)	(4,686)	—
Expiration of warrants	—	—	(960)	—	—	960	—
Purchase of shares under share award scheme *(note 29)*	—	—	—	(33,515)	—	—	(33,515)
Dividends recognised as distribution *(note 12)*	—	—	—	—	—	(109,482)	(109,482)
At 31 December 2016	1,983,889	148,696	—	(41,364)	2,928	111,811	2,205,960

39. Subsidiaries

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

Name of subsidiary	Place of incorporation/ type of legal entity	Issued and paid up capital	Attributable equity interest of the Group 2016 %	2015 %	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 conductors
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 aluminium 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	Cayman Islands/ Limited liability	HK$1	100	100	Hong Kong	Investment holding
New Sun Cable (HK) Company Limited	Hong Kong/Limited liability	HK$1	100	100	Hong Kong	Investment holding
Wuxi New Sun	PRC WFOE[(1)]	RMB208,000,000	100	100	PRC	Manufacture of and trading in wires and cables
Kai Da	Cayman Islands/ Limited liability	HK$0.01	100	100	Hong Kong	Investment holding
Kai Da Cable (HK) Company Limited	Hong Kong/Limited liability	HK$1	100	100	Hong Kong	Investment holding
Jiangsu Kai Da	PRC WFOE[(1)]	RMB208,000,000	100	100	PRC	Manufacture of and trading in wires and cables
Jiangnan Power Assets Limited	BVI/Limited liability	USD1	100	100	Hong Kong	Investment holding
Jiangnan Power Assets (HK) Limited	Hong Kong/Limited liability	HK$1	100	100	Hong Kong	Investment holding
Wuxi Jiangnanhuicong E-business Co., Ltd.#	PRC/Limited liability	RMB10,000,000	60	—	PRC	Trading in wires and cables
Wuxi Changyi Electric Power Engineering Company Limited#	PRC WFOE[(1)]	USD10,000,000	100	—	PRC	Engineering, procurement and construction of electric power related projects

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

\# Incorporated during the year ended 31 December 2016.

(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:

	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Results					
Turnover	5,356,363	6,477,302	8,154,555	9,167,273	**9,111,232**
Cost of goods sold	(4,513,978)	(5,476,949)	(6,883,326)	(7,685,477)	**(7,753,184)**
Gross profit	842,385	1,000,353	1,271,229	1,481,796	**1,358,048**
Other income	31,785	27,039	58,442	73,823	**84,925**
Selling and distribution costs	(94,126)	(109,967)	(134,999)	(202,727)	**(219,064)**
Administrative expenses	(85,965)	(132,553)	(147,993)	(179,185)	**(234,598)**
Other expenses	(32,160)	(17,507)	(23,491)	(30,732)	**(32,205)**
Other gains and losses	(23,939)	(5,613)	(21,450)	(29,000)	**(68,540)**
Gain on bargain purchase	—	42,326	—	—	**—**
Share of loss of associates	—	(3,492)	(1,544)	(1,139)	**(12,127)**
Finance costs	(182,188)	(195,279)	(242,055)	(243,316)	**(221,635)**
Profit before taxation	455,792	605,307	758,139	869,520	**654,804**
Taxation	(79,672)	(101,784)	(132,123)	(166,259)	**(124,930)**
Profit for the year	376,120	503,523	626,016	703,261	**529,874**
Assets and liabilities					
Non-current assets	559,597	896,492	869,518	1,234,175	**1,261,060**
Current assets	4,727,050	6,660,794	7,847,989	10,885,090	**11,204,561**
Total assets	5,286,647	7,557,286	8,717,507	12,119,265	**12,465,621**
Current liabilities	3,373,271	5,203,378	5,414,785	7,146,023	**7,096,600**
Non-current liabilities	32,579	68,252	72,856	77,317	**71,929**
Total liabilities	3,405,850	5,271,630	5,487,641	7,223,340	**7,168,529**
Net assets	1,880,797	2,285,656	3,229,866	4,895,925	**5,297,092**