TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

Annual Report 2016

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

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

NON-EXECUTIVE DIRECTOR
Fung Kwan Hung

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

ALTERNATE DIRECTOR
Qian Chenhui *(alternate director to Qian Lirong)*

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

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

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

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

COMPANY SECRETARY
Leung Siu Kei

AUTHORISED REPRESENTATIVES
Qian Lirong
Leung Siu Kei
Poon Yick Pang Philip *(alternate to Qian Lirong)*

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 1801, 18/F
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA
No. 1 Junzhi Road
Industrial Park for Environmental Protection
Science & Technology
Yixing City
Jiangsu Province
PRC

COMPANY WEBSITE
www.trigiant.com.hk

HKEX STOCK CODE
1300

INVESTOR RELATIONS
Trigiant Group Limited
Email: ir@trigiant.com.cn

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

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

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

PRINCIPAL BANKERS
Industrial and Commercial Bank of China
Agricultural Bank of China
Bank of China
China Construction Bank
Bank of Communication
China Citic Bank
Bank of JiangSu
HSBC
OCBC Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS
Conyers 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 Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

In this annual report, the English translation of names in Chinese which are marked with "" is for identification purpose only . If there is any inconsistency between the Chinese names of person or entities established in the People's Republic of China and their English translations, the Chinese names shall prevail.*

CORPORATE PROFILE

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

The Group is established based on the solid foundation of its expertise in manufacturing and sales of feeder cable series. Since inception, the Group has dedicated its effort to broaden its market segments and customer base within the telecommunication industry. In 2010, the Group introduced its new product series — flame-retardant flexible cable series, which was well received by its customers. Further in late 2014, the Group extended its businesses in telecommunication industry to manufacturing and sales of optical fibre cable business by acquiring a fast-growing optical fibre cable manufacturer, namely Jiangsu Trigiant Optic-Electric Communication Co., Ltd., where the Group owns 65.0% effective interest.

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

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

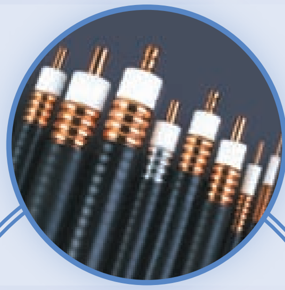
CORPORATE PROFILE

SUMMARY OF MAJOR PRODUCTS

Feeder cable series

(a) Feeder cable

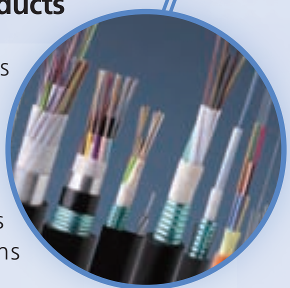
Feeder cable are mainly for transmitting and receiving radio signals and are also essential components for telecommunications transmission equipment.



(b) Leaky cables

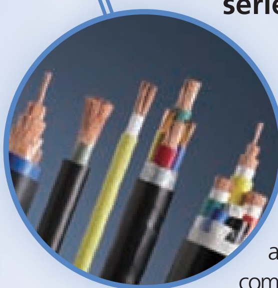
Leaky cables are mainly used for wireless mobile communications, wireless remote control and wireless alarm systems. They can transmit radio frequency signals as well as send and receive antenna data for areas of weak signal coverage such as subways, tunnels, underground passage and interior of buildings.

Optical fibre cable series and related products



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

Flame-retardant flexible cable series



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

New-type electronic components

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

Other accessories

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

CHAIRMAN'S STATEMENT

MR. QIAN LIRONG
Executive director and Chairman

Dear valued shareholders,

On behalf of the board ("Board") of directors ("Directors") of Trigiant Group Limited ("Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2016 ("Year").

Looking back 2016, the GDP growth in the People's Republic of China ("PRC") was only 6.7%, which is the lowest GDP growth over the last 26 years. Meanwhile, economic uncertainties increased worldwide, and commodity prices fell amid fluctuations. Copper, being the main raw material of the Group's feeder cable and flame-retardant flexible cable products, saw a decrease of approximately 6.8% in its average price compared with last year. This posed certain challenges for the Group's overall operation. However, the replacement and updates in the mobile communications industry continued, representing a huge demand in the market as a whole. Various policies and measures, including "lower costs at a higher internet speed", enhanced 4G network and broadband infrastructure and the mobile internet development, were laid down or implemented for the PRC telecommunications industry to drive the continuous development of the mobile communications industry. The Group timely adjusted strategies to actively cope with challenges, and grasped the opportunities brought by the increasing demand of the industry. As a result, the Group recorded a slight increase in revenue as a whole for the Year.

CHAIRMAN'S STATEMENT

With the rapid development of the 4G network in the mobile communications industry, 4G network users and the number of base stations grew rapidly. According to statistics from Ministry of Industry and Information Technology of the PRC, approximately 340 million additional 4G network users were registered in 2016 in China, leading to a total of approximately 770 million users. The proportion of 4G network users accounted for approximately 58.2% of the mobile phone users. Base stations for mobile communications kept growing as well, while fixed asset investments in the mobile communications industry reached approximately RMB236 billion during the Year. Approximately 861,000 4G base stations were newly set up in the Year, adding up to approximately 2,630,000 4G base stations in total.

During the Year, benefiting from the continuous improvement in the telecommunication infrastructure construction, the overall sales of the Group's major products, including feeder cables, optical fibre cables and flame-retardant flexible cables, were satisfactory. During the Year, sales of the Group's feeder cables increased steadily by approximately 8.6% to approximately 164,000 kilometres. However, a decline in the copper price continued to weigh on the sales price of feeder cables and flame-retardant flexible cables. As a result, the annual turnover and gross margin of the segment declined on a year-on-year basis. The turnover of the feeder cables decreased by approximately 5.2% to approximately RMB1,450.6 million , representing approximately 49.7% of the Group's total turnover. On the other hand, as fibre access became the mainstream of internet broadband access, the Group's optical fibre cable business continued to grow. Sales of optical fibre cable series increased by approximately 21.6% to approximately 9,640,000 fibre kilometres, contributing approximately RMB851.3 million to, as well as accounting for about 29.1% of the Group's total turnover.

During the Year, the Group made an allowance for bad debts of approximately RMB135.3 million to its trade receivables due to the extension of the customer's payment period. As a result, the profit attributable to owners of the Company decreased by approximately RMB82.7 million to approximately RMB192.6 million. The Board of Directors proposed to declare a final dividend per share of HK1.6 cents to thank the shareholders of the Company for their continued trust and support.

ACCELERATED INDUSTRY UPGRADE

Copper price began to rebound in late 2016 after hitting a new low over the past six years. As the Group's feeder cable series and flame-retardant flexible cable series adopt the cost-plus-price model, the rebound in the copper price will enable the Group to raise its product prices and related gross margin. As a result, a good start is provided to the Group's business in 2017. Driven by the significant increase in 4G network users and the popularity of mobile internet applications, the demand for network infrastructure continues to grow, while the mobile base station scale hits a new high. According to the 2017 plan of the three major telecommunications operators in the PRC, it is expected these three major operators will continue to build 4G base stations in 2017. The Group expects the market demand for feeder cables and flame-retardant flexible cables to remain robust.

CHAIRMAN'S STATEMENT

The State Council of the PRC announced the development goals according to the "Notice on National Informatisation under the 13th Five-Year Plan" ("13th Five-Year Notice"). As clearly defined under these goals, 5G network technology research and commercialisation will be facilitated. As a result, investments in the 5G network construction in China is expected to reach RMB705 billion, representing an increase of 56.7% over investments in the 4G network. This will bring new business opportunities to the Group's products. Facing the accelerated upgrading trend in the industry, the Group will continue to focus on product research and development while paying close attention to the industrial development in order to maintain a leading position in the mobile communications market.

In addition, communications infrastructure continues improving while broadband and fibre-to-the-home services become increasingly popular. According to the development goals under the "13th Five-Year Notice", households in large and medium-sized Chinese cities will be able to access the 100Mbps or above broadband services in 2020. This will enable rapid development in the scale and growth rate of broadband network in China. In addition to seizing market opportunities and timely expanding the capacity of optical fibre cable products, the Group will actively seek cooperation with partners in the industry chain to quickly secure market shares and business expansion. While developing the PRC market, the Group also values the opportunities arising from the "Belt and Road" Initiative. In addition to active expansion to overseas customers, the Group looks forwards to setting up strong foothold in the overseas market, thus laying a foundation for diversified business.

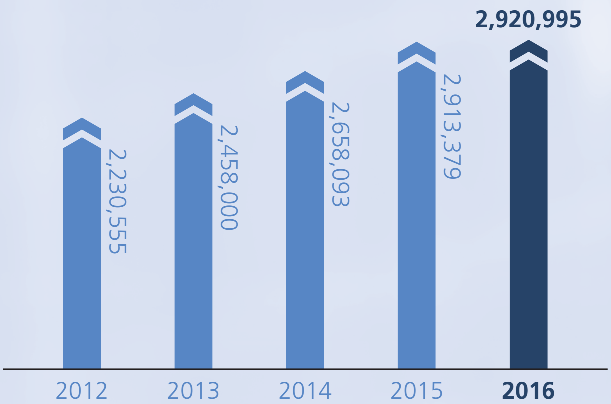
I would like to express my heartfelt appreciation to our business partners, customers and shareholders for their support on behalf of the Board. I would also like to thank the management team and all our staff for their contribution to the development of the Group over the past year. I believe that the unity and unremitting efforts will enable the Group to achieve great accomplishment and a new height in its business in the future!

Qian Lirong
Chairman

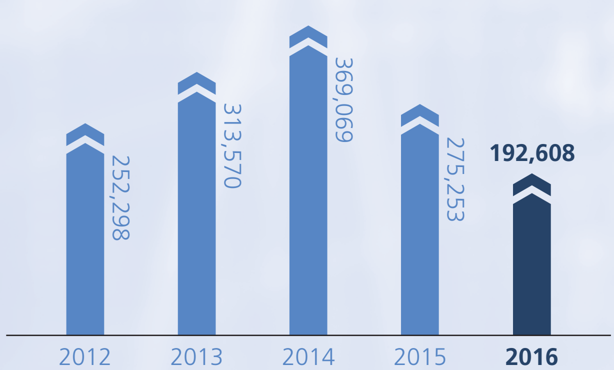
Hong Kong, 27 March 2017

FINANCIAL HIGHLIGHTS

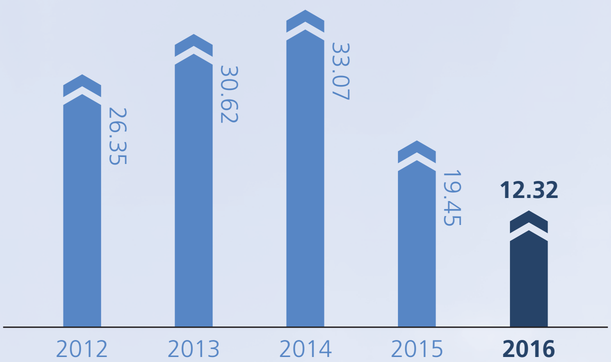
TURNOVER
(RMB'000)



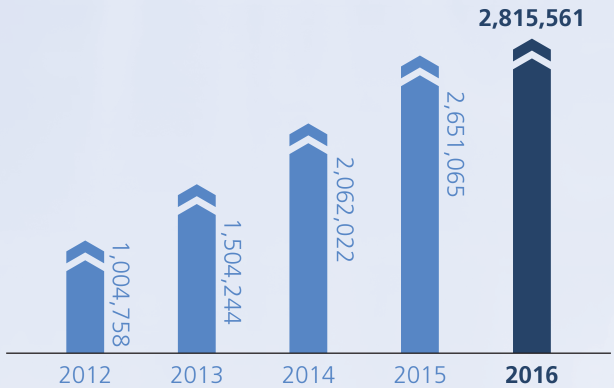
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



EARNINGS PER SHARE
(RMB cents)



TOTAL EQUITY
(RMB'000)



FINANCIAL HIGHLIGHTS

Results performance for the year ended 31 December	2016	2015
Total turnover *(RMB'000)*	**2,920,995**	2,913,379
Turnover of feeder cable series *(RMB'000)*	**1,450,555**	1,529,449
Turnover of optical fibre cable series and related products *(RMB'000)*	**851,284**	765,280
Turnover of flame-retardant flexible cable series *(RMB'000)*	**484,824**	493,756
Gross profit *(RMB'000)*	**612,204**	650,059
Gross profit margin	**21.0%**	22.3%
Profit for the year attributable to owners of the Company *(RMB'000)*	**192,608**	275,253
Net profit margin	**6.6%**	9.4%
Basic earnings per share	**RMB12.32 cents**	RMB19.45 cents
Diluted earnings per share	**RMB12.32 cents**	RMB19.45 cents

Liquidity and gearing ratios	2016	2015
Inventories turnover day *(Note 1)*	**17 days**	20 days
Trade and bills receivables turnover day *(Note 2)*	**331 days**	295 days
Trade and bills payables turnover day *(Note 3)*	**53 days**	45 days
Current ratio	**2.3**	2.2
Gearing ratio *(Note 4)*	**12.8%**	19.9%

Operating cash flow and capital expenditure for the year ended 31 December	2016	2015
Net cash from (used in) operating activities *(RMB'000)*	**472,474**	(116,374)
Capital expenditure *(RMB'000)*	**41,173**	35,706

Notes:

1. Calculation was based on the average of the inventory balance at the beginning and the end of the relevant year divided by cost of goods sold for the year and then multiplied by 365 days.

2. Calculation was based on the average of the trade and bills receivables balance, excluding value-added tax, at the beginning and the end of the relevant year divided by turnover for the year and then multiplied by 365 days.

3. Calculation was based on the average of the trade and bills payables balance, excluding value-added tax, at the beginning and the end of the relevant year divided by costs of goods sold for the year and then multiplied by 365 days.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

The culmination of the 4G network construction of the mobile communications industry in the PRC started in 2016. China Mobile Communications Corporation* (中國移動通信集團公司) ("China Mobile"), China United Network Communications Limited* (中國聯合網絡通信有限公司) ("China Unicom"), and China Telecommunications Corporation* (中國電信集團公司) ("China Telecom") all devoted their resources on the promotions and development of the 4G network. In particular, China Mobile has built the world's largest 4G network. In mid-2016, China Unicom announced its active engagement in expanding the 4G network coverage, while China Telecom became one of the largest 4G FDD-LTE operators in the world. The market competition of the 4G network has driven and accelerated the construction of mobile communications infrastructure. According to the statistics from the Ministry of Industry and Information Technology ("MIIT") of the PRC, fixed assets investments in the mobile communications industry reached approximately RMB236 billion in 2016. The number of new mobile base stations increased by approximately 926,000, of which approximately 861,000 were 4G base stations, to approximately 5,600,000.

Alongside the mobile communication transmission network, the construction of the broadband network has also been improved. In 2016, with further implementation of the "Broadband China" initiative, new optical cable lines reached to 5.5 million kilometres nationwide, representing an increase of approximately 22.3% to a total of about 30.4 million kilometres. The number of broadband access ports also increased by approximately 19.8% to approximately 690 million.

During the year under review, commodity prices fluctuated significantly worldwide where copper price has started to rebound since October 2016. As compared with 2015, the average copper price decreased by approximately 6.8%. The main raw material of the Group's feeder cable series and flame-retardant flexible cable series is copper and the selling price of these products is linked to copper price. During 2016, as a result of the decrease in the average copper price, the average selling price of the two products had decreased, affecting the performance of their turnover and gross profit.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT ANALYSIS

As of 31 December 2016, benefiting from the continuous improvement in the telecommunication infrastructure construction, the overall performance of the Group's major products, including the feeder cables, optical fibre cables and flame-retardant flexible cables, was satisfactory. As the falling copper price in 2016 weighed on the selling prices of feeder cables and flame-retardant flexible cables, their turnovers declined. On the other hand, results on our optical fibre cable series and related products and new-type electronic components products still recorded a satisfying growth, and all in all, the Group's annual turnover increased slightly by 0.3% from approximately RMB2,913.4 million in 2015 to approximately RMB2,921.0 million in 2016. Gross profit decreased by approximately 5.8% from approximately RMB650.1 million in 2015 to approximately RMB612.2 million in 2016. Gross profit margin decreased by approximately 1.3 percentage points from approximately 22.3% in 2015 to approximately 21.0% in 2016. The decrease in gross profit and gross profit margin was mainly due to the Group's strategical adjustment on the selling prices of certain products to enhance competitiveness.

In addition, certain customers extended the payment period such that trade and bills receivables turnover day increased from 295 days in 2015 to 331 days in 2016. As a result, the Group recognised an allowance for bad debts of approximately RMB135.3 million to trade receivables in 2016.

As a result of the above factors, the profit attributable to owners of the Company decreased by RMB82.7 million from approximately RMB275.3 million in 2015 to approximately RMB192.6 million in 2016, and the basic earnings per share decreased by approximately RMB7.13 cents from approximately RMB19.45 cents in 2015 to approximately RMB12.32 cents in 2016.

BREAKDOWN OF TURNOVER BY PRODUCTS

Year ended 31 December	2016 RMB'000	2015 RMB'000	Change RMB'000	Change Percentage
Feeder cable series	**1,450,555**	1,529,449	–78,894	–5.2%
Optical fibre cable series and related products	**851,284**	765,280	+86,004	+11.2%
Flame-retardant flexible cable series	**484,824**	493,756	–8,932	–1.8%
New-type electronic components	**109,601**	98,522	+11,079	+11.2%
Other accessories	**24,731**	26,372	–1,641	–6.2%
Total	**2,920,995**	2,913,379	+7,616	+0.3%

Feeder cable series — approximately 49.7% of the total turnover

Looking back in 2016, benefiting from the booming 4G network, the sales volume of the Group's feeder cable products recorded a steady growth. The sales of the feeder cable series increased by approximately 13,000 kilometres to approximately 164,000 kilometres on a year-on-year basis. However, a decrease in the copper price during the year under review had led to a decrease in the average selling price of the feeder cable series. Further, in order to further expand the market share and enhance product competitiveness, the Group made strategical adjustments to the selling price of the feeder cable products during the year. The turnover of feeder cable series fell by approximately 5.2% in 2016 to approximately RMB1,450.6 million as compared with 2015, and the gross profit margin fell slightly by approximately 1.5 percentage points to approximately 21.9% in 2016 as compared with 2015.

Optical fibre cable series and related products — approximately 29.1% of the total turnover

The broadband network construction in 2016 has driven the demand for optical fibre cable products in the market. Annual sales of the optical fibre cable series increased by approximately 21.6% to approximately 9,640,000 fibre kilometres even though a tight supply of optical fibre in 2016 hindered the production of optical fibre cable. Due to changes in the product mix, the turnover of optical fibre cable series increased by only approximately 11.2% in 2016 to approximately RMB851.3 million as compared with 2015. The gross profit margin fell by approximately 1.3 percentage points to about 20.2% in 2016 as compared with 2015.

Flame-retardant flexible cable series — approximately 16.6% of the total turnover

As another major product of the Group, the flame-retardant flexible cables had also benefited from the nationwide construction of a mobile communication network in 2016. However, the declined copper price during 2016 has caused a downward adjustment to the average selling price of the Group's flame-retardant flexible cables series. Nonetheless, the proportion of sales of large-size product increased in 2016 such that the turnover of flame-retardant flexible cable series only decreased slightly by approximately 1.8% in 2016 to approximately RMB484.8 million as compared with 2015.

MAJOR CUSTOMERS AND SALES NETWORK

Apart from pricing, the three major telecommunications operators in the PRC continued to take other important factors into consideration, including comprehensive strength, delivery capacities, guaranteed service quality, an extensive network coverage in the region when selecting business partners. In addition, developed provinces in the PRC set higher standards for business partners in terms of their comprehensive quality. The Group has a good track record, diverse product portfolio, excellent product quality and comprehensive and efficient after-sales services and therefore maintains its leading position in terms of comprehensive strength and market share amongst business partners with the three major telecommunications operators in the PRC. The Group also succeeded in obtaining additional share of additional projects on top of its existing market share, fully proving the strength and market leadership of the Group.

As at 31 December 2016, the Group maintained business relationships with all 31 provincial subsidiaries of China Unicom, 27 out of the 31 provincial subsidiaries of China Mobile and 26 out of the 31 provincial subsidiaries of China Telecom.

The turnover derived from China Mobile, China Unicom and China Telecom accounted for approximately 39.7%, 32.3%, and 18.6% of the Group's overall turnover, respectively. Besides having close cooperation with the three major telecommunication operators in the PRC, the Group also maintained a good business relationship with China Tower Corporation Limited* (中國鐵塔股份有限公司) and acts as a supplier to its 25 provincial subsidiaries. By closely following the latest movements of its business partners, the Group will be able to timely adjust its business strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

PATENTS, AWARDS AND RECOGNITION

As at 31 December 2016, the Group had obtained 80 patents and developed 88 new products in the PRC. 43 products of the Group were granted Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. The Group received various awards and honours which included the following:

- Jiangsu Trigiant Technology Co., Ltd. ("Trigiant Technology"), a major subsidiary of the Company, was named as Model Enterprise of Industrial Brand Development (工業品牌培育示範企業) by the MIIT; and

- Trigiant Technology ranked 14th in the 29th Session of Top 100 PRC Electronic Component Enterprises 2016 (中國電子元件百強).

PROSPECT AND FUTURE PLANS

In October 2016, the copper price started to bounce back significantly and its strong momentum continued in early 2017. The rebound in the copper price will bring positive effects on the sales and gross profit of the Group's two major products, namely, feeder cable series and flame-retardant flexible cable series. In addition, the Group already adopted the mechanism of strategic pricing adjustments in an effort to expand its market shares. Owing to the orderly development plan of the telecommunications business sector in the PRC, the Group continues to anticipate a promising future for its major products.

The State Council of the PRC announced the "Notice on National Informatisation under the 13th Five-Year Plan" at the end of 2016, thereby stipulating definite guidelines about informatisation development in coming years. As included in these guidelines, the penetration rate of mobile broadband users will grow from 57% in 2015 to 85% in 2020. Meanwhile, the proportion of the fibre-to-the-home users over the total broadband users will increase by 24 percentage points to 80% in 2020. The emerging e-business, e-payments, and diverse social networking media in recent years require a variety of telecommunication infrastructure support. As an indispensable part of mobile telecommunication equipment, the Group's feeder cable series witnessed a robust demand. Furthermore, the optical fibre cable series as core components of the telecommunication infrastructure will also benefit from the enormous market demand.

Looking forward to 2017, the changing political and economic conditions may affect the market sentiment. However, the Group believes that it will constantly maintain its leading advantages in the market position due to various factors including quality products, well-developed after-sales services, years of production and sales experience and close partnership with the three major telecommunications operators in the PRC. In light of the outstanding performance of the optical fibre cable series, the Group will proactively seek closer collaboration with its upstream suppliers, while efficiently utilises its production capacities to boost sales.

Meanwhile, the PRC government is also actively engaged in the planning of the 5G network telecommunications, which aims to commercialise the 5G network by 2020. In addition, the three major telecommunications operators in the PRC have already devised their plans for the 5G network development. China Mobile has previously announced that a large-scale experiment on the 5G network will be conducted in 2017, and the 5G network will be put into a commercialised trial in 2018. It is expected that the 5G network with different frequencies will continue the use of independent feeder cable series for transmission purposes. The advent of the 5G network represents new market demands for feeder cable products.

Looking forward to the future, we will also look to the overseas market by expanding our business in the Middle East and the Southeast Asia under the "Belt and Road" Initiative, which will further consolidate our business foundation. By closely capitalising on opportunities arising from the rebound in the copper price, the Group will also safeguard the market position for its major products, while proactively exploring new opportunities in the telecommunications sector.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW

Turnover

Total turnover of the Group increased by approximately RMB7.6 million, or approximately 0.3%, from approximately RMB2,913.4 million in 2015 to approximately RMB2,921.0 million in 2016. The increase in turnover was mainly contributed by the turnover of optical fibre cable series and related products and new-type electronic components of approximately RMB86.0 million and RMB11.1 million, respectively, which was offset by the decrease in turnover of feeder cable series and flame-retardant flexible cable series of approximately RMB78.9 million and RMB8.9 million, respectively. The increase in turnover of optical fibre cable and related products was because of the strong demand in optical fibre cable in the PRC. The decrease in turnover of feeder cable series and flame-retardant flexible cable series is largely driven by the decrease in the average copper price in 2016.

Overall sales to the three major telecommunications operators in the PRC increased by approximately RMB95.0 million from approximately RMB2,549.2 million in 2015 to approximately RMB2,644.2 million in 2016.

Cost of goods sold

Cost of goods sold increased by approximately RMB45.5 million, or approximately 2.0%, from approximately RMB2,263.3 million in 2015 to approximately RMB2,308.8 million in 2016. The cost of materials consumed remained the major components of cost of goods sold and accounted for approximately 96.4% of the total cost of goods sold in both 2016 and 2015. The increase in cost of goods sold was in line with the increase in turnover in 2016.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB37.9 million, or approximately 5.8%, from approximately RMB650.1 million in 2015 to approximately RMB612.2 million in 2016. Such decrease was mainly attributable to strategic adjustments of the selling price of the Group's products to enhance competitiveness.

Other income

Other income increased by approximately RMB6.2 million, or approximately 27.7%, from approximately RMB22.4 million in 2015 to approximately RMB28.6 million in 2016. Such increase was primarily due to the increase in government grant of approximately RMB5.9 million and investment income from other financial assets of approximately RMB5.4 million, offset by decrease in interest income of approximately RMB5.5 million which was mainly due to decreased interest rates.

Other losses

Other losses increased by approximately RMB57.1 million, or approximately 62.4%, from approximately RMB91.7 million in 2015 to approximately RMB148.8 million in 2016. Such increase was primarily due to increase in allowance for bad and doubtful debts of approximately RMB72.6 million made to trade receivable as a result of the extension of the payment period of certain customers and offset by decrease in exchange losses of approximately RMB15.6 million recognised due to the RMB exchange fluctuations in foreign currency borrowings amongst bank borrowings.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB1.2 million, or approximately 1.9%, from approximately RMB61.9 million in 2015 to approximately RMB60.7 million in 2016. Such decrease was mainly due to the decrease in entertainment expense as a result of the continued cost curbing program and decrease in share based payment expense relating to the share options granted in June 2014.

Administrative expenses

Administrative expenses increased by approximately RMB3.8 million, or approximately 7.1%, from approximately RMB52.8 million in 2015 to approximately RMB56.6 million in 2016. Such increase was primarily due to increase in administrative staff salary.

Research and development costs

Research and development costs increased by approximately RMB4.4 million, or approximately 9.3%, from approximately RMB47.0 million in 2015 to approximately RMB51.4 million in 2016. Such increase was attributable to increase in the development of new telecommunication products to meet customers' needs.

Fair value change of Warrants

The Company issued 200,000,000 warrants ("Warrants") in April 2014 and re-measured the Warrants at fair value at each statement of financial position date with the change in fair value recorded in the profit or loss. As such, such fair value change was not related to the Group's operating results. These Warrants are recognised in the consolidated statement of financial position at their fair values using binomial model. Gain on fair value change of warrants decreased by approximately RMB5.5 million, or 42.2% from approximately RMB13.1 million in 2015 to approximately RMB7.6 million in 2016. All the Warrants were redeemed during year ended 31 December 2016.

Finance costs

Finance costs decreased by approximately RMB13.5 million, or approximately 18.4%, from approximately RMB73.3 million in 2015 to approximately RMB59.8 million in 2016. Such decrease was mainly attributable to the decrease in average bank borrowing rates in 2016.

Taxation

Taxation charge decreased by approximately RMB8.0 million, or approximately 14.0%, from approximately RMB57.2 million in 2015 to approximately RMB49.2 million in 2016. The Group's Enterprise Income Tax arises from its principal subsidiaries in the PRC, which enjoy a reduced Enterprise Income Tax rate of 15% as they are qualified as an Advanced Technology Enterprise. The decrease in taxation charge in 2016 is primarily attributable to decrease in taxable profit of Trigiant Technology.

Profit for the year

As a result of the foregoing and taking into account of the profit attributable to non-controlling interests, the profit for the year attributable to owners of the Company decreased by approximately RMB82.7 million, or approximately 30.0%, from approximately RMB275.3 million in 2015 to approximately RMB192.6 million in 2016. The net profit margin decreased by 2.8 percentage points from approximately 9.4% in 2015 to approximately 6.6% in 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The following table summarises the cash flows for the two years ended 31 December 2016 and 2015:

	2016 RMB'000	2015 RMB'000
Net cash from (used in) operating activities	**472,474**	(116,374)
Net cash used in investing activities	**(101,473)**	(221,080)
Net cash (used in) from financing activities	**(147,633)**	83,565

As at 31 December 2016, the Group had bank balances and cash and pledged bank deposits of approximately RMB933.5 million and the majority of which were denominated in RMB. As at 31 December 2016, the Group had total bank borrowings of approximately RMB1,293.0 million which were repayable within one year. As at 31 December 2016, approximately RMB356.4 million of the total bank borrowings were fixed rate borrowings and approximately RMB936.6 million were variable rate borrowings. As at 31 December 2016, bank borrowings of approximately RMB1,042 million were denominated in RMB, approximately RMB181.6 million were denominated in Hong Kong dollars and approximately RMB69.4 million were denominated in United States dollars.

In 2016, the majority of the Group's transactions were denominated in RMB except for the bank borrowings denominated in United States dollars and Hong Kong dollars and the Group did not enter into any financial instrument for hedging foreign currency exposure. The Group currently does not have any foreign currencies hedging policy but will consider hedging its foreign currency exposure should the need arise.

GEARING RATIO

Gearing ratio of the Group, calculated as total bank borrowings net of pledged bank deposits and bank balances and cash divided by total equity, decreased from approximately 19.9% as at 31 December 2015 to approximately 12.8% as at 31 December 2016. Such decrease was primarily due to the increase in bank balances and cash which was generated from operating activities and increase in total equity of approximately RMB164.5 million from approximately RMB2,651.1 million as at 31 December 2015 to approximately RMB2,815.6 million as at 31 December 2016. Such increase in total equity as at 31 December 2016 was mainly attributable to profit for the year of approximately RMB192.6 million offset by payment of the 2015 final dividend of approximately RMB47.4 million and the 2016 interim dividend of approximately RMB16.3 million.

PLEDGE OF ASSETS

As at 31 December 2016, the Group pledged banks deposits of approximately RMB476.3 million (2015: RMB541.4 million) to secure certain credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

As at 31 December 2016, the Group had approximately 1,000 (2015: 1,000) employees. In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. Moreover, the Company adopted a share option scheme in May 2014 which allows the Company to grant share options to, among other persons, Directors and employees of the Group in order to retain elite personnel to stay with the Group and to provide incentives for their contribution to the Group.

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

INVESTMENT IN INVESTMENT PRODUCTS

As at 31 December 2016, the Group held an aggregate principal amount of RMB150 million of investment products ("Investment Products") issued by 陸家嘴財富管理(上海)有限公司 (LJZ Wealth Management (Shanghai) Co., Limited*), which were purchased during the year under review.

The investment scope of the Investment Products principally include investments in bank savings, listed debt securities, money market bonds, bond market funds, low-risk fixed income investment in asset nature, and other fixed income in asset nature in compliance with the regulatory requirements and provided an anticipated (but not guaranteed) annual rate of return from 4.8% to 6.0%. As at the date of this report, the investment period of Investment Products amounted of RMB40 million had ended and the Group has received related proceeds of approximately RMB41.0 million from settlement of such matured Investment Products.

The purchases of the Investment Products were funded by internal resources of the Group and the Group purchased the Investment Products with an intent to maximising the use of its funds with satisfactory return. The Directors believed that such purchases could increase the rate of return of its working capital and therefore improve both the investment income and the profits of the Group.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

During the year ended 31 December 2016, the Group had no material acquisition or disposal of subsidiaries or associated companies. Save as the Investment in Investment Products disclosed above, the Group had no significant investments held during the year ended 31 December 2016.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

MR. QIAN LIRONG
Executive Director and Chairman

Mr. Qian Lirong, aged 52, is an executive Director and the chairman of the Board. Mr. Qian is principally responsible for the overall strategic development of the Group's operation as well as overall management of the Group. Mr. Qian joined Jiangsu Trigiant Technology Co., Ltd. 江蘇俊知技術有限公司 ("Trigiant Technology") in November 2007. Mr. Qian is also the chairman and general manager of Trigiant Technology and a director of certain subsidiaries of the Company.

Mr. Qian has nearly 30 years of experience in the information and telecommunications industry, and has been involved in various divisions in the manufacturing of information and telecommunications products and components including technology development and management. Between November 2004 and January 2007, Mr. Qian was a director and an executive chairman of Hengxin Technology Ltd. (stock code: 1085) ("Hengxin (Singapore)"), a company incorporated in Singapore, whose shares are listed on the Singapore Exchange Securities Trading Limited and the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Between November 2004 and February 2007, he acted as the chief executive officer of Hengxin (Singapore). Between June 2003 and January 2007, Mr. Qian held various positions (including chairman and general manager) in Jiangsu Hengxin Technology Co., Ltd. (江蘇亨鑫科技有限公司) ("Hengxin (Jiangsu)"), a wholly-owned subsidiary of Hengxin (Singapore). Between December 1996 and June 2003, Mr. Qian was general manager of Jiangsu Hengtong Cable Co., Ltd. (江蘇亨通線纜有限公司) ("Jiangsu Hengtong"). Prior to that, Mr. Qian was an assistant to the manager in Wujiang Qidu Town Industrial Co., Ltd. (吳江市七都鎮工業公司) from September to November 1996. Between December 1988 and September 1996, Mr. Qian worked in Suzhou Wujiang Special Cable Factory (蘇州市吳江特種電纜廠), which was mainly engaged in the manufacture and sale of indoor communications and data cables. During that period, he held various positions including deputy director of the factory.

Mr. Qian has been awarded numerous awards in the past, including but not limited to, Most Influential Entrepreneurs in Chinese Telecommunication Optical Industry (中國通信光電纜最具影響力企業家) in 2015, Outstanding Leader of PRC Information Industry of the Year (中國信息產業年度領袖人物) in 2012, Chinese Outstanding Entrepreneur (Private Enterprises) (中國優秀民營企業家) in 2010, Economic People of PRC Information Industry of the Year (中國信息產業年度經濟人物) in 2008, Outstanding People of PRC Information Industry of the Year (中國信息產業年度新銳人物) in 2007, Outstanding Technological Entrepreneur (Private Enterprise) (中國優秀民營科技企業家) by the China Private Enterprise Technology Association (中國民營科技實業家協會) in 2004, and Outstanding Worker in High and New Technology Industrialisation (高新技術產業化"先進工作者") by the Ministry of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in 2003. Mr. Qian is a senior member of China Institute of Communications, an executive member of the Seventh Council of the Jiangsu Foreign Investment Enterprise Association (江蘇省外商投資企業協會), as well as a member of the fifth, seventh and eighth Communications Cable Committee (通信線路委員會) of China Institute of Communications, Vice President of Jiangsu Provincial Information Association (江蘇省信息化協會), Vice President of Jiangsu Association of Industrial Economic (江蘇省工業經濟聯合會), Vice President of Jiangsu Enterprises Confederation (江蘇省企業聯合會), Vice President of Jiangsu Province Enterprises Directors Association (江蘇省企業家協會), Vice President of Jiangsu Enterprise Information Association (江蘇省企業信息化協會), and Executive President of Jiangsu Optical & Electric Cable Industry Chamber of Commerce (江蘇光電線纜商會), Vice President of The China Chamber of International Commerce — Wuxi (無錫國際商會), Vice President of Yixing Federation of Industry and Commerce (宜興市工商聯), Vice President of Yixing General Chamber of Commerce (宜興市總商會), the representative National Congress of the Communist Party of China of Wuxi for several terms, Member of The Chinese People's Political Consultative Conference of Yixing City for several terms and the representative of National People's Congress. Mr. Qian is a director of many education institutions, including Changshu Institute of Technology (formerly known as Changshu Machinery and Industrial Employees' University (常熟市機械工業職工大學)) and Yixing Middle School Jiangsu Province.

Mr. Qian graduated from Changshu Institute of Technology in 1987 and completed the No. 3 Industrial and Regional Culture and Economic Management Postgraduate Course offered by Shanghai Social Science Institute (Arts Research Centre) (上海社會科學院文學研究所，第三產業暨區域文化經濟管理碩士研究生班) in 2004. In 2012, he also obtained a bachelor degree from China University of Petroleum, Beijing. Mr. Qian is a senior engineer, senior economist, and a visiting professor of Changshu Institute of Technology and an exemplary worker of Jiangsu Province.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

MR. JIANG WEI

Executive Director and Group chief executive officer

Mr. Jiang Wei, aged 58, is an executive Director and the Group chief executive officer. Mr. Jiang has substantial experience in the communications cable industry and is principally responsible for managing the sales management team and marketing activities of the Group. Mr. Jiang joined Trigiant Technology in November 2007. Mr. Jiang is also an executive deputy general manager of Trigiant Technology and a director of certain subsidiaries of the Company.

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

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

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

DR. FUNG KWAN HUNG

Non-Executive Director

Dr. Fung Kwan Hung, aged 48, is a non-executive Director. Dr. Fung has over 20 years of experience in audit, finance and accounting. Since August 2003, Dr. Fung joined Shenzhen Eternal Asia Supply Chain Management Ltd.* (深圳市怡亞通供應鏈股份有限公司) (''Eternal Asia"), a company with shares listed on the Shenzhen Stock Exchange. Dr. Fung is currently a director, vice president and chief financial officer of Eternal Asia and directors of various subsidiaries of Eternal Asia. From November 1997 to April 2003, Dr. Fung served as a financial controller of MUI Hong Kong Limited (now known as Morning Star Resources Limited). From August 1992 to November 1997, he worked in an international accounting firm.

Dr. Fung obtained his Doctor of Business Administration from The Hong Kong Polytechnics University in September 2016. Dr. Fung also holds a Bachelor degree in Accountancy from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He is currently a fellow of each of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

PROFESSOR JIN XIAOFENG

Independent Non-Executive Director

Professor Jin Xiaofeng, aged 48, is an independent non-executive Director. Professor Jin is currently the professor of the Faculty of Information Science and Electrical Engineering, Zhejiang University (浙江大學). Professor Jin is also an independent director of Zhongli Sci-Tech Group Co., Ltd (中利科技集團股份有限公司), a company with shares listed on the Shenzhen Stock Exchange. In February 2007, he was appointed as a Doctor of Philosophy supervisor in the Zhejiang University. Between January 2004 and February 2006, Professor Jin worked in Hengtong Group Technology Center (亨通集團技術中心). In July 2005, Professor Jin was appointed as a member of the first Technical Committee of the Optical Transmission Engineering and Technology Center of Jiangsu Province (江蘇省光電傳輸工程技術研究中心第一屆技術委員會). During the period from October 2000 to 2003, Professor Jin worked in Oplink Communications Inc., LightMatix Inc. and Agiltron Inc in the U.S.

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

MR. POON YICK PANG PHILIP

Independent Non-Executive Director

Mr. Poon Yick Pang Philip, aged 47, is an independent non-executive Director. Mr. Poon has over 20 years of experience in corporate finance and accounting. Mr. Poon is an independent non-executive director of another company listed on the Stock Exchange, namely Jiangnan Group Limited (stock code: 1366). Starting from 16 August 2016, Mr. Poon is also an independent non-executive director of China Fordoo Holdings Limited (stock code: 2399). Mr. Poon joined Real Nutriceutical Group Limited (stock code: 2010), a company listed on the Stock Exchange, in June 2008 as chief financial officer and company secretary. Prior to that, he served senior financial positions in a number of companies listed in Hong Kong and the U.S. Mr. Poon also served various positions in Advent International Corporation, a global private equity firm, Lenovo Group Limited (stock code: 992) and Sun Hung Kai Properties Limited (stock code: 16), both companies are listed on the Stock Exchange.

Mr. Poon obtained a bachelor's degree in commerce from the University of New South Wales in 1993 and is a Chartered Financial Analyst of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of Hong Kong Institute of Certified Public Accountants.

MR. NG WAI HUNG

Independent Non-Executive Director

Mr. Ng Wai Hung, aged 53, is an independent non-executive Director. Mr. Ng is a practicing solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the areas of securities law, corporate law and commercial law in Hong Kong and China trades and has involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies in Hong Kong. Mr. Ng has been an independent non-executive director of Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), Sustainable Forest Holdings Limited (stock code: 723), Kingbo Strike Limited (stock code: 1421), On Time Logistics Holdings Limited (stock code: 6123), Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (stock code: 8172) and Xinyi Automobile Glass Hong Kong Enterprises Limited (stock code: 8328) (all being companies listed on the Hong Kong Stock Exchange). Moreover, Mr. Ng was also an independent non-executive director of HongDa Financial Holding Limited (formerly known as E-Rental Car Company Limited and Perception Digital Holdings Limited) (stock code: 1822), Qingdao Holdings International Limited (formerly known as HyComm Wireless Limited) (stock code: 499) and Tech Pro Technology Development Limited (stock code: 3823), (all being companies listed on the Hong Kong Stock Exchange) from January 2013 to August 2014, from January 2008 to September 2014 and from April 2011 to March 2017 respectively.

MS. JIA LINA

Independent Non-Executive Director

Ms. Jia Lina, aged 49, is an independent non-executive Director. She has over 20 years of experience in accounting. Ms. Jia is a certified public accountant in Jiangsu Talent CPA (天衡會計師事務所有限公司) since September 1994.

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

MR. LIU XIANGRONG
Chief Technology Officer

Mr. Liu Xiangrong, aged 66, is the chief technology officer of the Group. Mr. Liu has extensive experience in the research and development of optical fibre and electric cables, and led or participated in the compilation of a number of industry standards for electric cables products. In particular, he was granted the Science and Technology Award by China Communications Standards Association in 2012 for his coordination of or participation in the compilation of the Industry Standards of Coaxial Cables Series (《同軸電纜系列行業標準》). Mr. Liu is mainly responsible for leading the research and development of the Group's technology projects.

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

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

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

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

MR. LEUNG SIU KEI
Chief Financial Officer and Company Secretary

Mr. Leung Siu Kei, aged 40 is the chief financial officer and company secretary of the Company. Mr. Leung is primarily responsible for company secretarial, corporate finance, financial reporting and investor relations management affairs of the Group. Mr. Leung has over 18 years of experience in corporate finance, accounting and auditing. He was a senior manager of Deloitte Touche Tohmatsu before joining the Group in 2013.

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

CORPORATE GOVERNANCE REPORT

The board ("Board") of directors ("Directors") of the Company is pleased to present this Corporate Governance Report for the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

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

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

Save for the deviation stated in relation to the meeting between the chairman of the Board and the independent non-executive Directors as described in this report below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the year ended 31 December 2016 and the Directors will use their best endeavours to procure the Company to comply with such code and make disclosure of deviation from such code in accordance with the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in Company's securities. Having made specific enquiry of all Directors, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2016.

BOARD OF DIRECTORS

(I) Board composition

The Board currently comprises a combination of two executive Directors, one non-executive Director and four independent non-executive Directors. With effect from 13 September 2016, Mr. Qian Lirong, an executive Director and chairman of the Board, has appointed Mr. Qian Chenhui as an alternative Director to Mr. Qian Lirong. Save that Mr. Qian Lirong is Mr. Qian Chenhui's uncle, there is no relationship (including financial, business, family or other material relevant relationships) among members of the Board.

During the year ended 31 December 2016 and up to the date of this report, the Board consisted of the following members:

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

Non-executive Director
Dr. Fung Kwan Hung

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

Alternate Director to Mr. Qian Lirong
Mr. Qian Chenhui *(with effect from 13 September 2016)*

(II) Board meetings

During the year ended 31 December 2016, seven board meetings were held. Prior notices convening the board meetings were despatched to the Directors setting out the matters to be discussed. At the meetings, the Directors were provided with the relevant documents to be discussed and approved. The company secretary is responsible for keeping minutes for the board meetings.

(III) Responsibilities of the Board and management

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

The Board is also responsible for evaluating and determining the nature and significance of identified risks and determine how these risks can be properly alleviated so as to achieve the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. In addition, the Board, with the assistance from audit committee, oversees management in the design, implementation and monitoring of the risk management and internal control systems.

(IV) Independence of independent non-executive Directors

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Poon Yick Pang Philip has over 20 years of experience in corporate finance and accounting. Mr. Poon is a Chartered Financial Analyst of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of Hong Kong Institute of Certified Public Accountants.

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

(V) Continuous professional development

During the year ended 31 December 2016, the Directors regularly updated and refreshed their knowledge and skills through various means including but not limited to attending management briefings, trainings, seminars, giving speech or other professional development like reading articles, researches, journals and legal and regulatory updates provided by the Company. In addition, all Directors have been given guideline materials regarding duties and responsibility of being a director, relevant laws, regulations and rules applicable to directors of listed companies. The Company has received confirmation from all Directors in respect of their training records for the year ended 31 December 2016.

(VI) Insurance on Director's and officers' liabilities

The Company has arranged for liability insurance cover to indemnify the Directors and the senior management of the Company during the year ended 31 December 2016.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

TERMS OF NON-EXECUTIVE DIRECTORS

Dr. Fung Kwan Hung, non-executive Director, was appointed for a term of three years commencing from 31 August 2015.

Each of the independent non-executive Directors was appointed for a term of three years commencing from 23 August 2014.

Each of the above appointments is subject to the rotation and retirement provisions in the articles of association of the Company.

BOARD COMMITTEES

Audit committee

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

During the year ended 31 December 2016, the audit committee has held five meetings, at which the members of audit committee principally reviewed and discussed with the external auditor of the Company about the Group's annual results and audited consolidated financial statements for the year ended 31 December 2015, the interim review scope and process for the Group's result for the six months ended 30 June 2016, the interim results for the six months ended 30 June 2016 and audit scope and process for the Group's annual results for the year ended 31 December 2016 and discussed with the management about the effectiveness of the risk management and assessment, financial reporting process and internal control system, respectively.

Remuneration committee

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

During the year ended 31 December 2016, the remuneration committee has held one meeting, at which the members of remuneration committee principally reviewed and recommended the remuneration agreement, structure and policy for the Directors and senior management.

Nomination committee

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

According to the diversity policy of the Board adopted by the Company, the Board takes into account various elements of diversity including but not limited to age, gender, cultural and educational background, skills, professional knowledge, and industry experience in determining the appointment and reappointment of the Directors and proposed candidates. All Directors appointments are based on meritocracy and due regard is given to the Board's diversity to ensure the Company can obtain the benefits of such diversity. The nomination committee is responsible for the monitoring and review of the policy. During the year ended 31 December 2016, the nomination committee was satisfied with the diversity of the existing Board composition and did not, for the time being, set up any measurable objective regarding board diversity.

During the year ended 31 December 2016, the nomination committee has held one meeting, at which the members of nomination committee principally reviewed and recommended the diversity, structure, size and composition of the Board.

Corporate governance committee

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

During the year ended 31 December 2016, the corporate governance committee has held one meeting, at which the members of the corporate governance committee principally reviewed the policies and practices on the corporate governance adopted by the Company and made recommendation on the necessary revision in response to the changes in the relevant rules and regulations.

DIRECTORS' ATTENDANCE RECORDS AT MEETINGS

The attendance records of each Director at various meetings held during the year ended 31 December 2016 are set out below:

	Board Meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Corporate governance committee meeting	General meeting
Executive Directors						
Mr. Qian Lirong *(Chairman)*	7/7	N/A	N/A	N/A	N/A	2/2
Mr. Jiang Wei *(Group chief executive officer)*	7/7	N/A	1/1	N/A	1/1	2/2
Non-executive Directors						
Dr. Fung Kwan Hung	7/7	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Professor Jin Xiaofeng	7/7	5/5	N/A	1/1	N/A	2/2
Mr. Poon Yick Pang Philip	7/7	5/5	1/1	1/1	1/1	2/2
Mr. Ng Wai Hung	6/7	5/5	1/1	N/A	1/1	1/2
Ms. Jia Lina	7/7	5/5	N/A	0/1	N/A	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the total fees paid/payable in respect of audit and non-audit services provided to the Group by Deloitte Touche Tohmatsu are set out below:

	RMB'000
Audit service	
Audit of the annual consolidated financial statements	1,559
Non-audit services	
Review of the interim consolidated financial statements	363
Internal control review	173
Tax services	51

Directors' and auditor's responsibilities on the financial statements

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

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

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system and risk management. The Board carried out a review of the implemented system and procedures, covering internal control, financial, operational and legal compliance controls and risk management functions and considered that they are effective and adequate.

The Group has established systems and procedures for disseminating inside information as defined under the Securities & Futures Ordinance so as to ensure inside information is promptly identified and escalated. Directors and management of the Group received relevant trainings to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made with the assistance of the company secretary and, when necessary, external lawyer.

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

During the year ended 31 December 2016, the Group purchased certain investment products ("Investment Product(s)"). In particular, the Group purchased four Investment Products where each purchase of the Investment Products, on a stand-alone basis, was not a notifiable transaction of the Company for the purpose of Chapter 14 of the Listing Rules. Nonetheless, the Company assessed that the nature of these four Investment Products and considered that they should be aggregated for assessment even though the subject of the fourth purchase of Investment Product has a different registered number. As such, after the aggregation of the fourth purchase, the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the aggregate purchase of the Investment Products exceeded 5% but all relevant percentage ratios were less than 25%, such purchases in aggregate constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

To the extent that the notification and announcement requirements set out under Rule 14.34 of the Listing Rules were not timely complied with, the Company has therefore taken various actions to improve the compliance procedures and avoid the occurrence of similar incident. Details of the above please refer to the Company's announcement dated 17 January 2017.

The Group currently does not have an internal audit function. Nonetheless, the Company has engaged a consulting firm to conduct a review of the effectiveness of the internal control system of the Group including recommendations to enhance the overall internal control system for the year ended 31 December 2016. The internal control review report has been approved by audit committee and the Board. Based on the internal control review report and its own assessment, the Board considered that the Company's internal control system is adequate and effective and no internal audit function is considered necessary in consideration of the Group's current operation size and organisation structure. The Board has also assessed the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget and considered that they are effective and adequate.

Management of the Group, with support from audit committee, is responsible to perform ongoing monitoring of identified risks and design risk alleviating measures and perform regular risk management process. The Board and audit committee performed annual review and assessment of the risks identified and risk management process based on the report from management of the Group and considered the risk management process is adequate and effective.

COMPANY SECRETARY

During the year ended 31 December 2016, the company secretary of the Company was an employee of the Company and the Company did not engage an external service provider as its company secretary. The company secretary took no less than 15 hours of the relevant professional training during the year ended 31 December 2016.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

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

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

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

The existing articles of association of the Company were adopted by the then sole shareholder of the Company on 28 February 2012. During the year ended 31 December 2016, there was no change in the Company's constitutional documents.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 27 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

INTRODUCTION

The Environmental, Social and Governance Report ("ESG Report") of Trigiant Group Limited ("Company") illustrates the principles of corporate citizenship and the related work carried out by the Company and its subsidiaries (collectively the "Group" or "we"). This ESG Report contains the details of the Group's contribution to environmental, social and corporate governance in 2016. For information on corporate governance, please refer to the Corporate Governance Report of this annual report.

The ESG Report has been reviewed and approved by the board of directors of the Company.

REPORTING SCOPE

The ESG Report covers the overall environmental, social and governance policy of the Group from 1 January 2016 to 31 December 2016 ("Year"). During the Year, there were no significant changes in the Group's structure. The information disclosed in The ESG Report is primarily about the production plant of the Group located in the Industrial Park for Environmental Protection Science & Technology, Yixing city, Jiangsu province, the People's Republic of China ("PRC").

REPORTING STANDARD

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

STAKEHOLDER ENGAGEMENT

We recognise that stakeholders of the Group are inseparably connected to the Group's business development. The preparation of this ESG Report has drawn great attention from our colleagues at each department and laid a solid foundation for the sustainability of the Group. The collection of our environmental and social work during the Year will be conducive for our blueprint for development.

INFORMATION AND FEEDBACK

For details of the environmental and corporate governance of the Group, please refer to the official website of the Company (http://www.trigiant.com.hk) and its annual report. The Group stresses the importance of the views of the stakeholders on this ESG Report. If you have any questions or suggestions regarding this ESG Report, you may send message to the following email address: ir@trigiant.com.cn.

CORPORATE PHILOSOPHY

The Group is one of the leading manufacturers in the PRC engaged in research, development and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series, new-type electronic components and other accessories for mobile communications and telecommunications transmission. The Group always practices its core value of "Talent Pool, Knowledge Power, Harmony and Prosperity"(「集俊以知・和諧共榮」). Through constant innovation, the Group has evolved into a high-tech powerhouse with numerous patents and high-tech products.

The Group's production base is located in the Industrial Park for Environmental Protection Science & Technology, Yixing city, Jiangsu Province, the PRC. Our products are mainly used for mobile communications and long-distance transmission systems required by major telecommunications operators and equipment manufacturers in the PRC, amongst which, our mobile communication products can be used in highways, railways, tunnels, underground facilities, high-rise buildings and other various premises, while our optical fibre cable products is mainly applied to broadband networks.

To stress great importance to product quality, the Group has been strictly inspecting and improving all the processes in raw materials to semi-finished and finished products to ensure that products align with industry standards and national standards and contributes to China's communications industry.

GREEN OPERATION

In line with environmental deterioration, the international community has become increasingly aware of environmental protection and the close connection to human development. The Group is committed to upholding sustainability as its development strategy since its inception by actively promoting various environmental protection activities among employees at our production plant and participating in environmental management system certifications. The Group anticipates that we can perform the corporate social responsibility amid our rapid development. Besides obtaining the GB/T24001-2004/ISO14001 Certification for Standard for the Environmental Management System, the Group also receives awards such as "Environment-friendly Enterprise", "Yixing Green Enterprise" and "Yixing Ecological Civilisation Demonstration Unit", fully reflecting our commitment in environmental protection.

WASTE DISPOSAL

To ensure a constant and effective control over waste, we have been pursuing various means to reduce waste. The Group has classified waste generated from the production process by nature to minimise the environmental pollution. For example: waste oil and waste cloth at our production plant are collected for centralised treatment once or twice a year by qualified processing companies, and daily domestic wastes are collected by Yixing Environmental and Sanitation Management Office every day; we collect scraps generated from production processes such as copper scraps and other non-hazardous waste and then deliver to the relevant companies for recycling and processing into raw materials; hazardous waste from the production process (such as waste mineral oil, waste alcohol, and waste ink), as well as waste activated carbon generated during the treatment of waste gas were delivered to solid waste disposal companies for proper disposal; waste ink cartridges are delivered to the manufacturers for recycling.

WASTEWATER DISCHARGE

No waste water is generated during our production process of the Group, and the domestic sewage can be discharged from our production plant directly into the municipal pipeline network. The Group also takes seriously the impacts of domestic sewage discharge on the environment. For example, the Group appoints third party testing organisations to monitor the discharge of domestic sewage on an annual basis to ensure the pH, chemical oxygen demand (COD), ammonia nitrogen, total nitrogen, total phosphorus and suspended solids (SS) concentration levels of domestic sewage are in compliance with the Class B level as set out in Table 1 of the "Wastewater Quality Standards for Discharge to Municipal Sewers" (CJ343-2010) before being discharged. The Group has paid all emission charges in accordance with the "Measures for the Administration of the Charging Rate for Pollutant Discharge Fees of the PRC". In addition to a rainwater-sewage separation system at our production plant, the Group has also taken measures to conserve water and reuse rainwater and cooling water, effectively reducing the costs of our operations and disposal.

AIR POLLUTION CONTROL

The Group also takes seriously the impacts of waste gas on the environment. Based on the characteristics of the production processes, the Group will select the appropriate treatment procedures for waste gas. For example: during the production process, a small amount of non-methane hydrocarbon emissions will come from the belt, plastic coating and sheathing process and a small amount of volatile organic compounds will come from the colouring and stereo-lithograph process which will be collected in the gas-collecting hood and processed by the activated carbon absorber before being emitted. To maintain the accuracy, a third-party testing agency has been appointed to monitor the concentration of the total non-methane and volatile organic emissions at our air outlet of our production plant. To ensure that the gas emission does not affect the surrounding ecology, the maximum concentration of non-methane hydrocarbon and volatile organic compounds at our air outlet shall be in compliance with level 2 standard as set out in Table 2 of the "Emission Standards of Air Pollutants for Industrial Kiln and Furnace" (GB9078-1996) and the standard as set out in Table 5 of the "Emission Control Standard for Industrial Enterprises Volatile Organic Compounds"(DB12/524-2014), respectively of the PRC.

APPRECIATION OF RESOURCES

To promote the sustainability, the Group has formulated a variety of energy and resource conservation management practices. To promote environmental knowledge, we prepare and distribute environmental protection brochures to each employee. We evaluate the energy consumption of the equipments selected before purchasing, and reject equipments with low energy efficiency. We monitor the energy consumption of equipments after installation and commissioning, and will request suppliers to adjust the equipment if the requirements of energy consumption are not satisfied. Unsatisfying equipments will be returned as well. We will improve the technology or put forward energy-saving methods for equipments with large energy consumption, low efficiency, obsolescence and backwardness used at our plant. For example, to reduce power consumption, we have installed a variable frequency controller to replace the fixed frequency controller at our production plant.

In addition to setting up management procedures for selecting and improving our equipment, we formulated conservation management requirements for daily energy and resource consumption by our employees. For example: we have required electrical facilities at the production site such as safety fans to be turned off if not in use; all department heads have to regulate the use of lighting power at the office area by ensuring that all lights and air-conditioners are turned off after all employees left the office; use of electrical stoves and other heating facilities is prohibited if such use is not for production activities; energy-saving light bulbs have been installed for hallway lighting; computers have to be turned off if they are not in use for a long time; and street lighting hours shall be set based on seasonal changes. To conserve energy, we replace the lighting system at our production plant from ordinary light bulbs into LED lights or low-power bulbs.

To improve our employees' awareness to save paper so as to create a paperless office environment, we have required our employees to use double-sided copying or printing for non-confidential information and encourage electronic delivery of documents to avoid printing. To achieve the goal of reducing the damage to the environment and conserve resources, specialised departments are responsible for investigating and implementing the above measures and promoting the conservation and efficient utilisation or resources among our employees to enhance their environmental awareness on a regular basis.

In addition, we have previously distributed pamphlets for the Group's publicity purposes, which utilised a massive amount of paper. Currently, to reduce the use of paper and conserve resources, we primarily attach posters on show windows and deliver electronic pamphlets about the Group to relevant personnel and customers.

The Group is committed to developing greening at our production plant. As at 31 December 2016, the green area, wetland area and landscape lake area at our production plant were approximately 46,000 square meters, 19,000 square meters, and 5,000 square meters, respectively, accounting for 31% of the total area at our production plant. In addition, over 3,000 trees and 20,000 shrubs of all kinds are grown within our plant premises.

PEOPLE ORIENTATION

Employees are our most important assets. We value team spirit, and support and encourage our employees in each position for their work. The Group is in strict compliance with the relevant laws and regulations with respect to the interests of our employees, including the "Labor Law of the PRC" and the "Labor Contract Law of the PRC". Our recruitment system in place will ensure that the most suitable candidates will be identified in an objective manner. The Group provides considerable employee benefits and well-developed training systems focused on the employee development, as well as our care for their safety and health. To this end, we provide our employees with well-established guidelines. In addition, good communications can promote positivity, as a result of which we have been enhancing internal communications to build a corporate family for our employees.

As at 31 December 2016, the Group had a total of 944 full-time employees, and information of our current employees by age and educational level was as follows:

- By age:

Aged 25 or below		Aged 26 to 35		Aged 36 to 45		Aged above 46	
Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
297	31.5%	448	47.4%	129	13.7%	70	7.4%

- By educational level:

Undergraduate or above		College		Technical junior high		Senior high (vocational school)		Junior high or below	
Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
166	17.5%	246	26.1%	198	21.0%	100	10.6%	234	24.8%

TALENT RECRUITMENT

Our employees can attain job transfer and promotion through the in-house competition system within the Group. Existing employee, who will be prioritised, may apply for a job so long as he/she meets the qualification (such as professional level, work performance, and attitude) and experience requirements. To recruit talents externally, we adhere to the principle of fair appointment and meritocracy, without any discrimination against ethnicity, sex, education, age, region, religious beliefs, or others in the recruitment process.

We have developed relevant procedures for employee recruitment to prevent any non-compliant incidents. For new employees who are recruited externally, the human resource department will verify and archive the information submitted. After confirming the appointment, we will sign a labour contract with such new employee and request him/her to provide the original certificates, such as academic background, title, qualification, as well as the household register and the employee's identity card for verification to prevent any forced labour or child labour. The Group is in strict compliance with all the rules and standards as set forth under the "Labor Contract Law of the PRC".

EMPLOYEE BENEFITS

The Group pays close concern for the work quality and the benefits of its employees. Our employees work no more than 8 hours a day. We provide social insurance for our employees according to PRC national regulations. In addition to statutory holidays, the Group's employees may also be entitled to paid annual leave under the "Regulations on Paid Annual Leave for Employees". We also offer our employees unpaid leave, shift leave, examination leave, injury leave, sick leave, maternity leave, nursing leave, breastfeeding leave, marriage leave, bereavement leave, conscription physical examination leave, etc.

We proceed with proper measures with respect to work-related injuries in accordance with the "Regulations on Work-Related Injury Insurances of the PRC" and the relevant laws and regulations. To maintain morale, we offer incentives and job promotion to encourage and inspire our employees to constantly explore their own potential, pursue their ambition in order to create the best benefits for the Group. The Group evaluates our employees based on various aspects, including virtue, collective cooperation, obedience to leadership, enterprising spirit, professional knowledge, work efficiency, learning ability and work quality, and assess employees' salary based on the "Employee Ranking Assessment Table" to incentivise our employees. In addition, we have also developed an internal assessment credits table to conduct monthly assessment and grant bonuses to encourage our employees according to the monthly assessment results.

The Group's female employees may enjoy a basic paid maternity leave for 128 days. Female employees may apply for breastfeeding leave once a week upon expiry of their maternity leave. Female employees whose babies are less than one year old may leave for breastfeeding during each shift.

INTERNAL COMMUNICATIONS

The Group protects the legitimate rights and interests of our employees by setting up a labour union with a view to resolving conflicts arising from work among the employees as soon as possible. In doing so, we build mutual trust and safeguard the smooth operations within the Group. To timely understand our employees' grievances and injustice they may suffer at work, the management has set up mailbox and e-mail box to the general manager to broaden the channels of exchanges, so that we can learn about our employees' views by different means and continue to provide the most comfortable working environment for them.

HEALTH AND SAFETY

Labour safety and health system

The Group believes that safety comes first for our employees, and we hope that our employees can work in safe and healthy conditions. In accordance with the "Work Safety Law of the PRC" and other related laws and regulations, the Group has formulated workplace safety measures. We actively implement measures to prevent accidents and formulate safety and health regulations. The Group has obtained the GB/T28001-2011 Occupational Health and Safety Management System Certification.

Specialised machines and equipment for production purposes are only reserved for operators approved by the Group. When using such equipment, the operators must strictly wear workplace safety tools in accordance with the provisions. All employees must comply with all safety and sanitation regulations and report to their superiors in case of unusual circumstances. In view of different health requirements of each post, we subject our employees to physical examination whenever necessary, and these employees may return to work only after passing the examination. Due to different skills required in each post, we provide job safety training sessions for our employees when their position changes. This will ensure that they have enough safety knowledge upon reassignments.

Storage of chemicals

Chemicals will be used during our production process. In view of hazardous nature of the chemicals, we have established a management system for storage and collection of chemicals to protect the safety of our employees. Hazardous goods must be stored in a separate warehouse and managed by designated personnel. No employee shall be permitted to enter the warehouse without the presence of the designated personnel. The fire channels at our warehouses shall stay clear at all times with firefighting equipment in good condition to ensure emergency measures can be taken by our employees in a timely manner when accidents occur. To prevent accidents, we prohibit our employees from using fire in the warehouse storing chemicals, lamps and electrical appliances need to be explosion-proof and hazard labels are posted on noticeable places as warning to our employees.

ELITE TRAINING

The Group actively encourages our employees to participate in training. To ensure the effective implementation of training programs, we formulate the training program for our employees each year based on the actual development needs of the Group and the training needs of various departments. We offer induction training, on-the-job training, and job-transfer training to our employees based on different departments and position requirements to enhance their performance quality, so that the Group and its employees can both enhance their competitiveness. Our training includes code of conduct, business profile, safety education, environmental protection, product knowledge, on-site management systems, professional ethics and skills training. The Group bears the training fees incurred by our employee, including training or tuition fees, fees for books and materials, data fees, travel expenses, registration fees, technical fees and other expenses.

We have adapted a mentorship system for our trainees within an agreed period of training, enabling such trainees to master the work or production skills and related safety knowledge. On-the-job training is provided after the trainees have taken up their positions. Through on-the-job training, our employees can improve their knowledge, skills, and management standards, and at the same time can update their knowledge about operating conditions and safety requirements of the Group. Immediately after the training, assessment will be performed to ensure that our employees understand the contents of the training. During the Year, the completion rate of our training programs was 95% and the participation rate was 100%. We hope that we can reduce the working hours and costs required in the production process and improve our performance through effective training.

VALUE OUR CUSTOMERS

The Group puts our customers in the first place. To meet the customers' requirement for premium products, the Group will ensure suppliers are properly selected and product quality is maintained. Meanwhile, we respect the information provided by our customers and take sufficient measures to prevent risk exposure against our commitments to protecting the intellectual property rights and privacy.

SELECTING SUPPLIERS

The quality of the supplier is a major factor affecting the Group's product quality. The Group has developed relevant procedures for selecting suppliers. The Group mainly selects materials other than optical fibre by tender and invites potential suppliers to bid.

When choosing suppliers, we consider factors including quality, environment, safety, pricing, and supply capacity and stability. In addition, whether they are directly or indirectly related to the management of the Group is taken into consideration. We usually review the requisite approvals, licenses and certificates of the bidders first before such suppliers are invited for bidding. Suppliers are required to fill out the questionnaire for us to understand their background and the quality and technical standards of the raw materials. The Group conducts on-site inspections when necessary and conducts sample checks and tests before inviting the suppliers to participate in the tender to ensure their authenticity.

In the case of public tender, the Group will invite at least two suppliers for all types of raw materials to reduce the procurement costs of its raw materials. In addition, the Group maintains a list of qualified suppliers, which is subject to annual review conducted jointly by its procurement, production, quality control and technology departments. Only those suppliers who pass such annual joint review are able to remain as a supplier to the Group in the following year. The procurement department collects monthly information on quality and delivery updates of each kind of materials and organises production, technology, quality and purchasing and other departments to make integrated appraisal on the major materials suppliers of the Group annually, so as to rule out those unqualified suppliers, make rectifications to the controversial ones and put more orders to the more favourable ones at its next round of tender.

The Group's inspectors will inspect the raw materials purchased from the suppliers to ensure compliance with the purchasing rules formulated by the Group. The Group is convinced that only premium suppliers may enable us to provide premium products to our customers.

QUALITY INSPECTION

The Group's professional management team is responsible for quality management and control procedures. Our products have obtained the GB/T19001-2008/ISO9001 Certification for Standard for Quality Management System. When externally purchased goods arrive, the suppliers are required to produce quality certificates, and, we will also initiate the inspection before storing the qualified goods in the warehouses. The Group strives for perfection and conducts inspections in all production processes, including semi-finished product inspection, finished product inspection, final inspection, product type test and shipment inspection. Unqualified products will be labelled during our production processes to ensure substandard goods will not stay on the production line and there are no defects in the ex-work products. To ensure quality and safety of our supplies, the Group requires necessary anti-dust, anti-moisture, anti-fire and anti-explosion measures and other protective measures to be taken and no unauthorised personnel is permitted to access the warehouses.

All of our ex-works products are subject to the codes set by the Group.

BEARING CLIENT'S OPINION IN MIND

The major customers of the Group, being the three major telecommunications operators in the PRC, usually select their suppliers through tendering process. They generally invite the Group and its competitors to participate in the tender and submit bids. If the Group wins the tender, the relevant customer will enter into a framework agreement with the Group setting out the general terms of the supply of products. The Group will then enter into specific sales contracts with the subsidiaries of such customer which set out the details and specific terms of each purchase. All qualified suppliers of feeder cable series, flame-retardant flexible cable series and optical fibre cable series to the three major PRC telecommunications operators can participate in the tender organised by them. The three major telecommunications operators in the PRC primarily consider pricing, quality and service offerings when selecting the winning bidder. The Group has been dedicated to offering quality products and services to increase the Group's share in various tender activities rather than through a low-price strategy.

Customer feedback is the key to our continued progress. We collect customer opinions in numerous aspects, and strive to listen to each customer. For this regard, we have set up a special department to collect views and complaints from our clients. This department will conduct internal investigations into complaints and follow up with customer complaints to improve our services. During the Year, we did not receive complaints about product quality.

OUR COMMITMENTS TO INTELLECTUAL PROPERTY RIGHTS

The Group is in strict compliance with the "Patent Law of the PRC", the "Trademark Law of the PRC", the "Copyright Law of the PRC", the "Anti-unfair Competition Law of the PRC", the "Technology Contract Law of the PRC" and other relevant laws and regulations. In accordance with the relevant laws and regulations and with reference to our actual work conditions, the Group has formulated the "Measures to Manage Intellectual Property Rights", the "Management Measures for Protecting Intellectual Property Rights", the "Patent Management Measures", and other rules to reinforce our management of the intellectual property rights and patents, to safeguard our intellectual property and patent rights. As at 31 December 2016, the Group has obtained 80 patents and developed 88 new products, among which, 43 products are granted Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province.

PRIVACY PROTECTION

We attach great importance to the privacy of our customers, employees are not allowed to disclose confidential information of the Group without approval. As a result, we enter into confidentiality agreements with employees holding technology-based, research-based, marketing-based and other important positions and the management or above.

ANTI-CORRUPTION

The Group is committed to creating a fair and honest, open and transparent, standardised and efficient management atmosphere within the Group to ensure that our employees are honest and reliable to external suppliers. To ensure our employees understand the importance of anti-corruption, the Group developed and published the "Technical Integrity and Self-discipline Management System" in 2010, where all employees were required to comply. In addition, an integrity self-discipline commitment has been signed with the group leader or above level. We continue to update our relevant anti-corruption policies, and the "Integrity and Self-discipline System" is incorporated into the January 2017 version "Code of Conduct", which is delivered to each employee to ensure they comply with and implement the system.

We also signed a sunshine agreement with our selected suppliers to protect the interests of both parties. We accept the supervision of all cadres, employees and suppliers. If any employee is found in violation of the relevant system, the whistleblower can report such through mail box and email box to the general manager. To encourage mutual supervision, whistleblowers and the information reported are kept absolutely confidential. The Group will reward those who submit validated reports.

During the Year, the Group did not receive any reports of violations and corruption.

CHARITY AND PUBLIC WELFARE

The Group actively promotes our public welfare business and acknowledge that everyone has the right to pursue his/her dream. During the Year, we made donations to Jiangsu Far East Charity to help the disabled and vulnerable groups in society.

In addition, we value investments in environmental protection. We supported the Industrial Park for Environmental Protection Science & Technology of Yixing City, Jiangsu Province, the PRC for holding the Central Park theme video activities. The Group has also organised a team comprising over 60 volunteers from our plant premises. Environmental protection volunteers cultivate environmental awareness for our employees, and protect the environment at our production plant. In addition, they establish an ecological civilisation group with schools, communities and hospitals for regular exchange and cooperation activities with respect to ecological civilisation so that everyone will make contribution to the community.

DIRECTORS' REPORT

The board ("Board") of directors ("Directors") of the Company hereby presents its annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as an investment holding company. The Group's operations are substantially conducted through its subsidiaries in the People's Republic of China ("PRC"). The Group is mainly engaged in the manufacture and sales of feeder cable series, flame-retardant flexible cable series, optical fibre cable series and related products and other accessories for mobile communications and telecommunication equipment.

Particulars of the principal activities of the Company's principal subsidiaries are set out in note 38 of the Notes to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Discussion and analysis of the review of the business of the Group, particulars of important events that have occurred affecting the Company since the end of the financial year, likely future developments in the Group's business and relationship with stakeholders including customers, suppliers and employees can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Environment, Social and Governance Report" of this annual report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group has formulated a variety of management policies and framework for sustainable development of the Group. The Group attaches great importance to risks management to ensure that the Group can be able to cope with changing industrial and economic environment. To minimise the impact of various risks on the Group's operation, the Group designated the Board, the audit committee of the Board and management of the Group as the responsible parties of risks management.

The Group's management conducts corporate risk assessment on a regular basis and monitors risks continuously and takes appropriate actions targeted to different risks. The management reports the risk assessment and updates of relevant measures taken against material risks to the Board regularly, and the Board subsequently reviews and approves the risk assessment, marketing strategies, business plan and budgets submitted by the management, while the audit committee of the Board review the Group's finance, operation and compliance matters, the results of risks management and internal control system as well as the effectiveness of compliance with the Listing Rules.

The Group is exposed to various risks and uncertainties. The effects of such risks may vary over time. The following table sets forth material risks classified by the Group according to its status quo and relevant alleviating measures for each material risk for the management of such risks.

Risks profile	Major relevant alleviating measures
Business risks	
The major customers of the Group are the three major telecommunications operators in the PRC, any changes of business strategies and capital expenditures of these customers and development changes of telecommunications industry of China will therefore have an impact on sales of the Group.	• Proactively develop customers other than the three telecommunications operators in the PRC. • Expand overseas market and increase the proportion of overseas sales. • Diversify product portfolio and reduce the impact of change in sales of individual products on the Group's overall business.
A majority of the Group's turnover are derived from sales of products to provincial subsidiaries of the three major telecommunications operators in the PRC. The three major telecommunications operators in the PRC usually invited equipment suppliers including the Group to participate in the tender activities held by each of them. As a result, the tender results of the Group in these tender activities will impact the operation and financial performance of the Group.	• Continue to review competitive edges of the Group in the industry and market trend. • Enhance after-sales services for customers and improve product quality to raise the Group's competitiveness in bidding activities. • Develop more new products to meet customers demand.
The telecommunications industry develops with each passing day and advances in technology may make certain products of the Group obsolete. Therefore, the Group's capabilities to launch new products and improve product quality in order to cope with technology transformation, will have a material impact on the Group's position in the industry.	• Invest resources to develop new products and upgrade existing products to cater to the changing market demand. • Actively recruit and train skillful and experienced technicians to enhance research and development capabilities of the Group.

Risks profile	Major relevant alleviating measures
Financial risks Delayed payments of customers who were granted credit period by the Group will increase the Group's exposure to financial risks and have an impact on financial performance and operating cash flows of the Group.	• Review accounts receivable due from major customers on a regular basis and control over it to an appropriate level. • Manage and control strictly internally and put additional efforts to collect trade receivables overdue.
The Group's major raw materials are copper-based materials and optical fibre and the Group procures raw materials from domestic suppliers. Increases in price of raw materials or any shortage of raw materials in the PRC market will have material impact on profitability and production of the Group.	• Among the framework agreements we have entered into with main customers according to tender results, pricing for the Group's main products (including feeder cables, optical fibre cables and flame-retardant flexible cable products) are determined with reference to prices of its major raw materials such as copper and optical fibre, so as to minimise the impact of fluctuation in prices of raw materials on gross profit margin. • With respect to supply, conduct investigation and assessment on suppliers periodically to ensure stable supply source of raw materials.
Composite risk Recently, China's economy growth has slowed down and as a result, the demand for products of the Group may significantly reduce, which may have a material adverse impact on business, financial condition and operating results of the Group.	• Expand overseas market and increase the proportion of overseas sales to reduce the dependence on individual country or region.

COMPLIANCE WITH RELEVANT RULES AND REGULATIONS

During the course of the business operations, the Group shall comply with different laws and regulations, including i) laws regarding employee recruitment and benefits, such as the "Labor Law of the PRC", the "Labor Contract Law of the PRC", and the "Rulings of Implementing the Labor Contract Law of the PRC"; ii) the "Environmental Protection Law of the PRC" governing production activities and the measures implemented in Jiangsu Province under the "Work-Related Injuries Regulations"; and iii) laws that safeguard the intellectual property rights of the Group, such as the "Patent Law of the PRC", the "Trademark Law of the PRC", the "Copyright Law of the PRC", the "Anti-Unfair Competition Law of the PRC", and the "Technology Contract Law of the PRC". For the year ended 31 December 2016, the Group was in strict compliance with these said laws and regulations.

DIRECTORS' REPORT

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 pages 56 of this annual report.

An interim dividend of HK1.2 cents per share amounting to HK$18,762,000 in aggregate was paid to the shareholders of the Company ("Shareholders") whose names appeared on the register of member of the Company on 15 September 2016 during the year ended 31 December 2016. The Board recommended the payment of a final dividend of HK1.6 cents per share for the year ended 31 December 2016 and the retention of the remaining profit for the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" of this annual report.

FIXED ASSETS

Details of the movements in the Group's investment properties and property, plant and equipment during the year ended 31 December 2016 are set out in notes 14 and 15, respectively, of the Notes to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year ended 31 December 2016 are set out in note 29 of the Notes to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to Shareholders amounted to approximately RMB1,298.9 million.

DONATION

The Group made charitable donations totalling approximately RMB150,000 during the year ended 31 December 2016.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors
Mr. Qian Lirong
Mr. Jiang Wei

Non-executive Director
Dr. Fung Kwan Hung

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

Alternate Director to Mr. Qian Lirong
Mr. Qian Chenhui (with effect from 13 September 2016)

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, each of Mr. Qian Lirong, Mr. Poon Yick Pang and Mr. Ng Wai Hung shall retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Details of the Directors' profiles are set out in the section headed "Directors and Senior Management Profile" of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he agreed to act as a Director for a fixed term of three years with effect from 19 March 2015.

Each of the non-executive Director and independent non-executive Directors has been appointed for a fixed term of three years with effect from 31 August 2015 and 23 August 2014, respectively.

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).

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has arranged Directors' and officers' liability insurance throughout the year ended 31 December 2016 to indemnify the Directors and officers for their liabilities arising from their lawful discharge of duties. The insurance coverage and premium is reviewed on an annual basis.

The articles of association of the Company provide that the Directors for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

EMOLUMENT POLICY

The employees of the Group are remunerated with monthly salary, subject to annual review and discretionary bonuses. They are also entitled, subject to eligibility, to retirement fund and provident fund. The Company also adopted a share option scheme as an incentive to the Directors and eligible employees.

The remuneration committee of the Company reviews and makes recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to Directors and senior management. Details of the remuneration of the Directors for the year ended 31 December 2016 are set out in note 10 of the Notes to the consolidated financial statements of this annual report.

RETIREMENT BENEFIT SCHEMES

The Group participates in state-managed retirement benefit schemes operated by the PRC government which covers the Group's eligible employees in the PRC and the Mandatory Provident Fund Scheme for the employees in Hong Kong. Please refer to note 35 of the Notes to the consolidated financial statements of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rule 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient diversity, industry or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. One of the independent non-executive Directors, Mr. Poon Yick Pang Philip has over 20 years of experience in corporate finance and accounting. Mr. Poon is a Chartered Financial Analyst of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of The Hong Kong Institute of Certified Public Accountants.

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

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

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

LONG POSITIONS

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

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest
Mr. Qian Lirong	Interest in controlled corporation	516,189,750 *(Note a)*	–	516,189,750	33.02%
	Interest in controlled corporation	250,000 *(Note b)*	–	250,000	0.01%
	Beneficial owner	6,582,000	–	6,582,000	0.42%
Mr. Jiang Wei	Beneficial owner	60,000	2,000,000 *(Note c)*	2,060,000	0.13%
Professor Jin Xiaofeng	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%
Mr. Poon Yick Pang Philip	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%
Mr. Ng Wai Hung	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%
Ms. Jia Lina	Beneficial owner	–	400,000 *(Note c)*	400,000	0.03%
Mr. Qian Chenhui	Beneficial owner	–	1,200,000 *(Note c)*	1,200,000	0.08%

Notes:

(a) These shares are registered in the name of Trigiant Investments Limited ("Trigiant Investments"), a company owned as to 91.79% by Abraholme International Limited ("Abraholme") which is in turn wholly owned by Mr. Qian Lirong. By virtue of the provisions in Part XV of the SFO, Mr. Qian Lirong is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

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

(c) These interests in underlying shares represent interests in options granted on 20 June 2014 under the Company's share option scheme conditionally adopted on 27 May 2014 which were accepted on 4 July 2014.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executives of the Company, or any of their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2016, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 47.8% (2015: 49.0%) and 67.5% (2015: 65.7%) of the Group's total purchases, respectively.

For the year ended 31 December 2016, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 39.7% (2015: 38.4%) and 95.6% (2015: 94.8%) of the Group's total turnover, respectively.

At all time during the year ended 31 December 2016, none of the Directors or any of their associates or any Shareholders whom, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers or customers.

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company held on 27 May 2014, the Company adopted its first share option scheme ("Share Option Scheme") to allow the Group to grant options to eligible participants to entitle them to subscribe for new shares as incentives or rewards for their contribution to the Group. Further details of the Share Option Scheme and the share options granted are disclosed in note 30 of the Notes to the consolidated financial statements in this annual report.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 December 2016, was the Group or any of the Company’s holding companies or subsidiaries of the Company’s holding companies a party to any arrangements to enable the Directors or the chief executives of the Company or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2016.

CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Group, the Company’s holding companies or subsidiaries of the Company’s holding companies was a party and in which a Director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2016, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2016, the Group had entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards but these transactions were not regarded as connected transactions or continuing connected transactions under the Listing Rules or were exempt from reporting, announcement and shareholders’ approval requirements under the Listing Rules. Details of these related party transactions are disclosed in note 34 of the Notes to the consolidated financial statements of this annual report.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the register of substantial shareholders maintained by the Company under section 336 of the SFO recorded that the following persons/entities, other than the Directors or the chief executive of the Company, had an interest or a short position in the shares or underlying shares of the Company as follows:

LONG POSITIONS

Name of shareholder	Nature of interest	Total of shares and underlying shares	Approximate percentage of interest
Trigiant Investments	Beneficial owner	516,189,750	33.02%
Abraholme	Beneficial owner	250,000	0.01%
	Interest in controlled corporation	516,189,750 *(Note a)*	33.02%
Madam Qian Jundi	Interest of spouse	523,021,750 *(Note b)*	33.45%
Eternal Asia (HK) Limited	Beneficial owner	281,778,000 *(Note c)*	18.02%
Shenzhen Eternal Asia Investment Holding Limited ("Eternal Asia Investment")* 深圳市怡亞通投資控股有限公司	Interest in controlled corporation	281,778,000 *(Note c)*	18.02%
Shenzhen Eternal Asia Supply Chain Management Ltd. ("Eternal Asia") * 深圳市怡亞通供應鏈股份有限公司	Interest in controlled corporation	281,778,000 *(Note c)*	18.02%
Mr. Zhou Guohui	Interest in controlled corporation	281,778,000 *(Note c)*	18.02%
People's Bank of China	Interest in controlled corporation	261,000,000 *(Note d)*	16.69%
Easy Beauty Limited	Beneficial owner	200,000,000 *(Note e)*	12.79%
Mr. Zhu Xujun	Interest in controlled corporation	200,000,000 *(Note e)*	12.79%

Note:

(a) These shares are registered in the name of Trigiant Investments, a company owned as to 91.79% by Abraholme, which is wholly owned by Mr. Qian Lirong. Under the SFO, each of Mr. Qian Lirong and Abraholme is deemed to be interested in all the shares held by Trigiant Investments. Mr. Qian Lirong is a director of each of Trigiant Investments and Abraholme.

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

(c) Based on the notices of disclosure of interests dated 20 October 2016 of Eternal Asia (HK) Limited, Eternal Asia, Eternal Asia Investment and Mr. Zhou Guohui each filed with the Stock Exchange, these interest are registered in the name of Eternal Asia (HK) Limited, a company wholly owned by Eternal Asia, which in turn is owned as to 36.54% by Eternal Asia Investment, which in turn is wholly owned by Mr. Zhou Guohui.

(d) Based on the notice of disclosure of interests dated 31 March 2016 of the People's Bank of China filed with the Stock Exchange, these interests in shares are registered in the name of 中國進出口銀行, a company owned by the People's Bank of China as to 98%.

(e) Based on the notices of disclosure of interests of Easy Beauty Limited and Mr. Zhu Xujun each filed with the Stock Exchange on 24 September 2015, these interests in shares are registered in the name of Easy Beauty Limited, a company owned as to 40.00% by Mr. Zhu Xujun.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float during the year ended 31 December 2016 and up to the date of this report.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its Shareholders as a whole. The Company has adopted and committed to the code provisions of the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules and has prepared the corporate governance report, which is set out in the section headed "Corporate Governance Report" of this annual report. The Board will continue to review and monitor the practices of the Company with an aim to maintaining the highest standard of corporate governance.

USE OF NET PROCEEDS FROM COMPANY'S INITIAL PUBLIC OFFERING

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

Up to 31 December 2016, the net proceeds from the IPO has been utilised in accordance with the plan as stated in the IPO prospectus for the expansion of the sales and distribution network, production capacity and advancement of production facilities of the Group and research and development of new products and upgrading product functions and related technologies, repayment of bank borrowings and for general working capital.

As at 31 December 2016, the remaining net proceeds of approximately RMB22.5 million were deposited with certain licensed financial institutions.

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

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 27 March 2017

Deloitte. 德勤

To the Shareholders of Trigiant Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Trigiant Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 56 to 115, 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 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
Impairment assessment of trade receivables	
We identified the impairment assessment of trade receivables as a key audit matter due to its significance to the consolidated financial statements and the significant judgements involved on the Group management assessment on the recoverability of the trade receivables, with reference to credit history, including delay in payments, settlement history and aging analysis of the trade receivables as disclosed in note 4 to the consolidated financial statements. As disclosed in note 4 to the consolidated financial statements, the carrying amount of trade receivables of the Group is approximately RMB2,896,818,000 (net of allowance for bad and doubtful debts of RMB197,991,000) as at 31 December 2016.	Our procedures in relation to assessing the appropriateness of the management's impairment assessment of trade receivables included: • Understanding the credit risk assessment and impairment assessment process and evaluating management's process on estimating the recoverable amounts of trade receivables; • Assessing the reasonableness of recoverability of the trade receivables and allowance for bad and doubtful debts with reference to the credit history, including delay in payments, settlement history and aging analysis of trade receivables; • Testing, on a sample basis, the accuracy of the aging analysis of the trade receivables to the goods delivery notes; and • Testing, on a sample basis, the details of the settlements during the year and the subsequent settlements to the settlement details.
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to significant judgements and assumptions required by the management in assessing the impairment of goodwill. As set out in note 4 to the consolidated financial statements, impairment of goodwill is assessed by comparing the recoverable amount (i.e. the value in use) of the cash-generating unit to which the goodwill belong to and its carrying amount at the end of the reporting period. The value in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, with key assumptions including budget sales and gross margin, growth rates and suitable discount rate. The carrying amount of goodwill of the Group is RMB41,773,000 at 31 December 2016. During the year ended 31 December 2016, no impairment loss is recognised on the goodwill.	Our procedures in relation to evaluating the appropriateness of management's impairment assessment of goodwill included: • Understanding the management's cash flow forecasts preparation process and impairment assessment process; • Evaluating the historical accuracy of the cash flow forecasts by comparing the historical financial forecast against actual performance; • Evaluating the reasonableness of the key assumptions made by the management in determining the value in use of the cash-generating unit to which the goodwill is allocated to, including budget sales and gross margin, growth rates and suitable discount rate; 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.

- 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

27 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*	**2,920,995**	2,913,379
Cost of goods sold		**(2,308,791)**	(2,263,320)
Gross profit		**612,204**	650,059
Other income	*6*	**28,659**	22,440
Other losses	*7*	**(148,849)**	(91,671)
Selling and distribution costs		**(60,663)**	(61,849)
Administrative expenses		**(56,568)**	(52,837)
Research and development costs		**(51,448)**	(47,049)
Fair value change of warrants	*28*	**7,604**	13,149
Finance costs	*8*	**(59,804)**	(73,293)
Profit before taxation	*9*	**271,135**	358,949
Taxation	*11*	**(49,191)**	(57,183)
Profit and total comprehensive income for the year		**221,944**	301,766
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**192,608**	275,253
Non-controlling interests		**29,336**	26,513
		221,944	301,766
Earnings per share	*13*		
— Basic		**RMB12.32 cents**	RMB19.45 cents
— Diluted		**RMB12.32 cents**	RMB19.45 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Investment properties	14	**6,900**	6,900
Property, plant and equipment	15	**293,834**	283,211
Land use rights	16	**73,722**	75,842
Intangible asset	17	**96,803**	108,904
Goodwill	18	**41,773**	41,773
Available-for-sale investments	19	**7,325**	6,375
Deferred tax assets	27	**30,355**	15,680
		550,712	538,685
Current assets			
Inventories	20	**124,928**	95,686
Trade and other receivables	21	**2,932,670**	3,055,860
Other financial assets	22	**150,000**	–
Pledged bank deposits	23	**476,338**	541,428
Bank balances and cash	23	**457,193**	233,825
		4,141,129	3,926,799
Current liabilities			
Trade and other payables	24	**492,120**	418,106
Bank borrowings — due within one year	25	**1,292,956**	1,302,315
Tax payables		**40,315**	39,444
		1,825,391	1,759,865
Net current assets		**2,315,738**	2,166,934
Total assets less current liabilities		**2,866,450**	2,705,619
Non-current liabilities			
Government grants	26	**4,307**	1,073
Deferred tax liabilities	27	**46,582**	45,864
Warrants	28	**–**	7,617
		50,889	54,554
Net assets		**2,815,561**	2,651,065
Capital and reserves			
Share capital	29	**12,651**	12,651
Reserves		**2,641,327**	2,506,167
Equity attributable to owners of the Company		**2,653,978**	2,518,818
Non-controlling interests		**161,583**	132,247
Total equity		**2,815,561**	2,651,065

The consolidated financial statement on pages 56 to 115 were approved and authorised for issue by the Board of Directors on 27 March 2017 and are signed on its behalf by:

QIAN LIRONG
DIRECTOR

JIANG WEI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000 *(Note a)*	Statutory surplus reserve fund RMB'000 *(Note b)*	Special reserve RMB'000 *(Note c)*	Other reserve RMB'000	Property revaluation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	10,629	840,175	–	234,519	62,947	24	622	5,663	801,709	1,956,288	105,734	2,062,022
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	275,253	275,253	26,513	301,766
Issue of shares *(Note 29)*	2,123	479,748	–	–	–	–	–	–	–	481,871	–	481,871
Expenses incurred in connection with the issue of shares	–	(24,198)	–	–	–	–	–	–	–	(24,198)	–	(24,198)
Repurchase of shares *(Note 29)*	(101)	(16,514)	101	–	–	–	–	–	(101)	(16,615)	–	(16,615)
Recognition of equity-settled share based payment *(Note 30)*	–	–	–	–	–	–	–	9,531	–	9,531	–	9,531
Dividends recognised as distribution *(Note 12)*	–	–	–	–	–	–	–	–	(163,312)	(163,312)	–	(163,312)
Transfer	–	–	–	55,807	–	–	–	–	(55,807)	–	–	–
At 31 December 2015	12,651	1,279,211	101	290,326	62,947	24	622	15,194	857,742	2,518,818	132,247	2,651,065
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**192,608**	**192,608**	**29,336**	**221,944**
Recognition of equity-settled share based payment *(Note 30)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,200**	**–**	**6,200**	**–**	**6,200**
Dividends recognised as distribution (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(63,648)**	**(63,648)**	**–**	**(63,648)**
Transfer	**–**	**–**	**–**	**22,483**	**–**	**–**	**–**	**–**	**(22,483)**	**–**	**–**	**–**
At 31 December 2016	**12,651**	**1,279,211**	**101**	**312,809**	**62,947**	**24**	**622**	**21,394**	**964,219**	**2,653,978**	**161,583**	**2,815,561**

Notes:

(a) During the year ended 31 December 2015, 12,500,000 shares of HK$0.01 each were repurchased at a total consideration of approximately HK$20,430,000 (approximately RMB16,615,000). All of the shares repurchased during the prior year were cancelled and the nominal value of such cancelled shares was credited to capital redemption reserve and paid out from the Company's accumulated profits, and the relevant premium was paid out from the Company's share premium.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		**271,135**	358,949
Adjustments for:			
Gain on disposal of property, plant and equipment		**(64)**	(33)
Interest income		**(10,989)**	(16,504)
Investment income from other financial assets		**(5,358)**	–
Government grants		**(736)**	(340)
Allowance for bad and doubtful debts		**135,272**	62,719
Amortisation of intangible asset		**12,101**	12,101
Fair value changes on investment properties		**–**	70
Exchange loss		**13,328**	28,882
Finance costs		**59,804**	73,293
Depreciation of property, plant and equipment		**30,271**	27,835
Operating lease rentals in respect of land use rights		**2,120**	1,873
Fair value change of warrants	*28*	**(7,604)**	(13,149)
Loss on redemption of warrants	*28*	**249**	–
Expense recognised in respect of equity-settled share-based payments	*30*	**6,200**	9,531
Operating cash flows before movements in working capital		**505,729**	545,227
(Increase) decrease in inventories		**(29,242)**	59,239
Increase in trade and other receivables		**(14,394)**	(710,846)
Increase in trade and other payables		**72,658**	59,999
Cash generated from (used in) operations		**534,751**	(46,381)
PRC Enterprise Income Tax paid		**(62,277)**	(69,518)
PRC withholding tax paid		**–**	(475)
Net cash generated from (used in) operating activities		**472,474**	(116,374)
Investing activities			
New pledged bank deposits placed		**(2,103,369)**	(952,095)
Purchase of other financial assets		**(150,000)**	–
Purchase of property, plant and equipment		**(38,545)**	(39,716)
Investment in an available-for-sale investment		**(950)**	–
Release of pledged bank deposits		**2,168,459**	765,010
Interest received		**13,261**	19,034
Investment income received		**5,358**	–
Receipt of government grants		**3,970**	–
Proceeds from disposal of property, plant and equipment		**343**	39
Payment for acquisition of land use rights		**–**	(13,352)
Net cash used in investing activities		**(101,473)**	(221,080)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
Financing activities		
Repayment of bank borrowings	**(1,730,978)**	(2,245,086)
Dividends paid	**(63,648)**	(163,312)
Interest paid	**(61,076)**	(77,361)
Redemption of warrants	**(520)**	–
New bank borrowings raised	**1,708,589**	2,168,005
Repayment to a related party	**–**	(39,739)
Expenses incurred in connection with the issue of shares	**–**	(24,198)
Repurchase of shares	**–**	(16,615)
Proceeds from issue of shares	**–**	481,871
Net cash (used in) generated from financing activities	**(147,633)**	83,565
Net increase (decrease) in cash and cash equivalents	**223,368**	(253,889)
Cash and cash equivalent at beginning of the year	**233,825**	487,714
Cash and cash equivalent at end of the year, represented by bank balances and cash	**457,193**	233,825

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). In the opinion of the directors of the Company, the Company does not have an immediate and ultimate holding company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Company is to act as an investment holding company. The Group is mainly engaged in the manufacture and sales of feeder cable series, optical fibre cable series and related products, flame-retardant flexible cable series and other accessories for mobile communications and telecommunication equipment.

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

2. APPLICATION OF NEW AND 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 effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 instrument[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[5]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Apply HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

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

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:

- 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

HKFRS 9 FINANCIAL INSTRUMENTS (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), 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 FVTPL is presented in profit or loss.

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

- the new general hedge accounting requirements retain the three types of hedge accounting 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 investments, including those currently stated at cost less impairment, will either be measured as FVTPL or be designated as FVTOCI (subject to fulfilment 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

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, the Standard 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

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 for 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

HKFRS 16 LEASES (continued)

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 operating 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 RMB249,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements may meet the definition of a lease under HKFRS 16 such that 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 directors 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 impact on the Group's financial performance and position 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 (Chapter 622 of the Laws of Hong Kong).

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

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

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.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION

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

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

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

Business combinations

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

Goodwill

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

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

A cash-generating (or groups of CGUs) unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For the goodwill arising on an acquisition in a reporting period, the cash-generating unit (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 cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

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

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

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

LAND USE RIGHTS

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as operating lease. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight line basis, except for those that are classified and accounted for as investment properties under the fair value model.

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

BORROWING COSTS

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

RESEARCH AND DEVELOPMENT COSTS

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

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

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

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

Subsequent to initial recognition, internally-generated intangible 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 price for inventories less all estimated costs of completion and costs necessary to make the sale.

IMPAIRMENT LOSSES

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT LOSSES (continued)

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

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

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

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables (including trade and other receivables, other financial assets, 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 rates 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 FVTPL, 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)

Financial assets (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 asset, the estimated future cash flows of the investment 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, such as 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 of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the credit period granted, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities and equity instruments (continued)

Warrants

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

Financial liabilities at amortised cost

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

Derecognition

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or 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.

OTHER FINANCIAL ASSETS

The Group's policies for investments in financial assets that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses. Dividend and interest income from these investments calculated using the effective interest method are recognised in profit or loss. When the investments are derecognised or impaired, the gain or loss is recognised in profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of 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 subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

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

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

LEASING

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

The Group as lessor

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

The Group as lessee

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

GOVERNMENT GRANTS

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

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

RETIREMENT BENEFIT COSTS

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30.

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment assessment of trade receivables

The Group makes allowance for bad and doubtful debts based on an assessment of the recoverability of the trade receivables. 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 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 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 RMB2,896,818,000 (2015: RMB3,015,106,000) (net of allowance for bad and doubtful debts of RMB197,991,000 at 31 December 2016 (2015: RMB62,719,000)).

Impairment assessment of goodwill

Impairment of goodwill is assessed by comparing the recoverable amount (i.e. the value in use) of the cash-generating unit to which the goodwill belong to and its carrying amount at the end of each reporting period. The value in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, with key assumptions including budget sales and gross margin, growth rates and suitable discount rates.

Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise.

The carrying amount of goodwill of the Group is RMB41,773,000 as at 31 December 2016. During the year ended 31 December 2016, no impairment loss is recognised on the goodwill and the information relating to the details of the key assumptions used in assessing the recoverable amount of goodwill is set out in note 18.

Allowance for inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventories, the actual realisable value of inventories is not known until the sale was concluded. At 31 December 2016, the carrying amount of inventories are approximately RMB124,928,000 (2015: RMB95,686,000).

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

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Recoverable amount of intangible asset

Management reconsidered the recoverability of intangible asset arising on acquisition of subsidiaries. The carrying amount included in the consolidated statement of financial position is RMB96,803,000 (2015: RMB108,904,000) which set out in note 17. Impairment losses are made if recoverable amount fall short of the carrying amount. Recoverable amount is estimated based on value in use. The estimated value in use is in turn based on cash flow forecasts consistent with the most up-to-date budgets and plans formally approved by the management and on reasonable and supportable assumptions, including the discount rates and useful lives. The estimation of the number of years that future economic benefits can be generated by intangible asset takes into account the expected changes in market demand for the products and the expected actions of competitors and potential competitors. This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

Fair value measurement and valuation process

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

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets and liabilities, the causes of the fluctuations will be reported to the board of directors of the Company. Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties and warrants are disclosed in notes 14 and 28, respectively.

5. TURNOVER AND SEGMENT INFORMATION

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

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

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

5. TURNOVER AND SEGMENT INFORMATION (continued)

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.

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

The information of segment results is as follows:

For the year ended 31 December 2016

	Feeder cable series RMB'000	Optical fibre cable series and related products RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Other accessories RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	1,450,555	851,284	484,824	109,601	24,731	–	2,920,995
— Inter-segment sales	–	272,673	218	–	–	(272,891)	–
	1,450,555	1,123,957	485,042	109,601	24,731	(272,891)	2,920,995
Cost of goods sold	(1,133,412)	(951,904)	(398,113)	(74,593)	(23,660)	272,891	(2,308,791)
Segment result	317,143	172,053	86,929	35,008	1,071	–	612,204

For the year ended 31 December 2015

	Feeder cable series RMB'000	Optical fibre cable series and related products RMB'000	Flame-retardant flexible cable series RMB'000	New-type electronic components RMB'000	Other accessories RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	1,529,449	765,280	493,756	98,522	26,372	–	2,913,379
— Inter-segment sales	–	311,643	385	–	–	(312,028)	–
	1,529,449	1,076,923	494,141	98,522	26,372	(312,028)	2,913,379
Cost of goods sold	(1,171,572)	(912,219)	(397,040)	(71,810)	(22,707)	312,028	(2,263,320)
Segment result	357,877	164,704	97,101	26,712	3,665	–	650,059

5. TURNOVER AND SEGMENT INFORMATION (continued)

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

	2016 RMB'000	2015 RMB'000
Reportable segment results	**612,204**	650,059
Unallocated income and expenses		
— Other income	**28,659**	22,440
— Other losses	**(148,849)**	(91,671)
— Selling and distribution costs	**(60,663)**	(61,849)
— Administrative expenses	**(56,568)**	(52,837)
— Research and development costs	**(51,448)**	(47,049)
— Fair value change of warrants	**7,604**	13,149
— Finance costs	**(59,804)**	(73,293)
Profit before taxation	**271,135**	358,949
Taxation	**(49,191)**	(57,183)
Profit for the year	**221,944**	301,766

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

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

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2016 RMB'000	2015 RMB'000
Customer A	**1,159,258**	1,117,981
Customer B	**942,678**	822,806
Customer C	**542,235**	608,419

6. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Government grants *(note)*	**10,145**	4,243
Interest income	**10,989**	16,504
Investment income from other financial assets	**5,358**	–
Rental income	**400**	400
Others	**1,767**	1,293
	28,659	22,440

Note: As at 31 December 2016, included in government grants is approximately RMB9,409,000 (2015: RMB3,903,000) incentive provided by the PRC local authorities to the Group for encouragement of business development in the Yixing region. There were no specific conditions attached to the grants, and the Group recognised the grants upon receipts. In respect of the remaining amount of approximately RMB736,000 (2015: RMB340,000), they are government subsidies received for the acquisition of property, plant and equipment as disclosed in note 26.

7. OTHER LOSSES

	2016 RMB'000	2015 RMB'000
Allowance for bad and doubtful debts *(note 21)*	**(135,272)**	(62,719)
Exchange loss	**(13,328)**	(28,882)
Loss on redemption of warrants *(note 28)*	**(249)**	–
Loss on fair value changes on investment properties	**–**	(70)
	(148,849)	(91,671)

8. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank borrowings	**59,804**	73,293

9. PROFIT BEFORE TAXATION

	2016 RMB'000	2015 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	**2,786**	2,761
Other staff costs:		
Salaries and other benefits	**77,600**	70,016
Retirement benefit schemes contributions	**8,155**	7,117
Share-based payment	**5,901**	9,100
Total staff costs	**94,442**	88,994
Auditor's remuneration	**1,923**	1,789
Amortisation of intangible asset	**12,101**	12,101
Cost of inventories recognised as expenses	**2,308,791**	2,263,320
Depreciation of property, plant and equipment	**30,271**	27,835
Operating lease payment in respect of warehouses and office premises	**1,398**	1,330
Operating lease rentals in respect of land use rights	**2,120**	1,873
and after crediting:		
Gain on disposal of property, plant and equipment	**64**	33
Gross rental income from investment properties (net of nil direct operating expenses)	**400**	400

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:

For the year ended 31 December 2016

	Mr. Qian Lirong RMB'000 (note a)	Mr. Jiang Wei RMB'000 (note b)	Dr. Fung Kwan Hung RMB'000	Professor Jin Xiaofeng RMB'000	Mr. Poon Yick Pang Philip RMB'000	Mr. Ng Wai Hung RMB'000	Ms. Jia Lina RMB'000	Total RMB'000
Directors' fee	–	–	104	78	182	174	78	616
Basic salaries and allowances	1,010	837	–	–	–	–	–	1,847
Retirement benefits scheme contributions	12	12	–	–	–	–	–	24
Share-based payment	–	167	–	33	33	33	33	299
	1,022	1,016	104	111	215	207	111	2,786

For the year ended 31 December 2015

	Mr. Qian Lirong RMB'000 (note a)	Mr. Jiang Wei RMB'000 (note b)	Dr. Fung Kwan Hung RMB'000 (note c)	Professor Jin Xiaofeng RMB'000	Mr. Poon Yick Pang Philip RMB'000	Mr. Ng Wai Hung RMB'000	Ms. Jia Lina RMB'000	Total RMB'000
Directors' fee	–	–	33	73	171	163	73	513
Basic salaries and allowances	978	815	–	–	–	–	–	1,793
Retirement benefits scheme contributions	12	12	–	–	–	–	–	24
Share-based payment	–	239	–	48	48	48	48	431
	990	1,066	33	121	219	211	121	2,761

Notes:

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

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

(c) Dr. Fung Kwan Hung was appointed as a non-executive director of the Company with effect from 31 August 2015.

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

Of the five highest paid individuals of the Group, two (2015: two) were the directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2015: three) individuals were as follows:

	2016 RMB'000	2015 RMB'000
Basic salaries and allowances	**2,777**	2,572
Retirement benefits schemes contributions	**40**	38
Share-based payment	**467**	670
	3,284	3,280

Their emoluments were within the following bands:

	2016 No. of employees	2015 No. of employees
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1

During the year ended 31 December 2016 and 2015, no emoluments were paid by the Group to the directors of the Company and any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during both years.

11. TAXATION

	2016 RMB'000	2015 RMB'000
The charge (credit) comprises:		
PRC Enterprise Income Tax	**63,148**	75,657
Deferred taxation *(note 27)*	**(13,957)**	(18,474)
Taxation for the year	**49,191**	57,183

The PRC Enterprise Income Tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC.

Pursuant to the relevant laws and regulations in the PRC, the principal subsidiaries of the Company in the PRC were endorsed as Advanced Technology Enterprises and entitled to a preferential tax rate of 15% pursuant to the Enterprise Income Tax Law ("EIT Law") of the PRC.

11. TAXATION (continued)

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

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

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

	2016 **RMB'000**	2015 RMB'000
Profit before taxation	**271,135**	358,949
Tax at the applicable income tax rate of 25%	**67,784**	89,737
Tax effect on income not taxable for tax purpose	**(2,501)**	(4,855)
Tax effect on expenses not deductible for tax purpose	**8,679**	5,651
Tax effect of tax concession	**(27,548)**	(43,778)
Withholding tax on undistributed earnings	**3,922**	10,428
Others	**(1,145)**	–
Taxation for the year	**49,191**	57,183

12. DIVIDENDS

	2016 **RMB'000**	2015 RMB'000
Dividends recognised as distribution during the year:		
2016 interim — HK1.2 cents (2015: HK7 cents) per share	**16,250**	91,261
2015 final — HK3.5 cents (2014: HK7 cents) per share	**47,398**	72,051
	63,648	163,312

Subsequent to the end of the reporting period, a final dividend of HK1.6 cents per share in respect of the year ended 31 December 2016 (2015: HK3.5 cents per share) has been proposed by the directors. Such final dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2016 RMB'000	2015 RMB'000
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**192,608**	275,253

	2016 '000	2015 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,563,500**	1,415,362

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

14. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
AT FAIR VALUE		
At 1 January	**6,900**	6,970
Changes in fair value recognised in profit or loss	**–**	(70)
At 31 December	**6,900**	6,900

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

The fair value of the Group's investment properties at 31 December 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out at those dates by Savills Valuation and Professional Services Limited, independent qualified professional valuer not connected to the Group. The valuation was arrived at based on income method on the basis of capitalisation of net income based on a schedule provided by the management of the Group with due allowance for reversionary income potential of the property and where appropriate, also considered direct comparison approach by making reference to the comparable market transactions as available in the market.

14. INVESTMENT PROPERTIES (continued)

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

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

Carrying value of investment property	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Industrial property in the PRC RMB6,900,000 (2015: RMB6,900,000)	Level 3	The key inputs are: (1) Term yield; (2) Reversionary yield; and (3) Market unit rent of individual unit.	Term yield, taking into account of yield generated from comparable properties and adjustment to reflect the certainty of term income secured and to be received, of 6% (2015: 6%).	The higher the term yield, the lower the fair value.
			Reversionary yield, taking into account annual unit market rental income and unit market value of the comparable properties, of 7% (2015: 7%)	The higher the reversionary yield, the lower the fair value.
			Market unit rent, using direct market comparables and taking into account of location and other individual factors such as size of property and facilities, of RMB11.7/square metre/month (2015: RMB11.6/square metre/month).	The higher the market unit rent, the higher the fair value.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2015	163,752	177,743	8,032	9,527	1,821	360,875
Additions	–	561	393	369	34,383	35,706
Transfer	–	29,966	(548)	–	(29,418)	–
Disposals	–	(7)	–	–	–	(7)
At 31 December 2015	163,752	208,263	7,877	9,896	6,786	396,574
Additions	–	1,015	922	–	39,236	41,173
Transfer	22,571	18,740	92	–	(41,403)	–
Disposals	–	(8)	–	(1,207)	–	(1,215)
At 31 December 2016	**186,323**	**228,010**	**8,891**	**8,689**	**4,619**	**436,532**
DEPRECIATION						
At 1 January 2015	20,079	56,751	3,923	4,776	–	85,529
Provided for the year	7,771	17,817	1,078	1,169	–	27,835
Transfer	–	316	(316)	–	–	–
Eliminated on disposal	–	(1)	–	–	–	(1)
At 31 December 2015	27,850	74,883	4,685	5,945	–	113,363
Provided for the year	7,771	20,524	804	1,172	–	30,271
Eliminated on disposal	–	(4)	–	(932)	–	(936)
At 31 December 2016	**35,621**	**95,403**	**5,489**	**6,185**	**–**	**142,698**
CARRYING VALUES						
At 31 December 2016	**150,702**	**132,607**	**3,402**	**2,504**	**4,619**	**293,834**
At 31 December 2015	135,902	133,380	3,192	3,951	6,786	283,211

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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Buildings	4.5%
Plant and machinery	9%
Furniture, fixtures and equipment	18%
Motor vehicles	18%

16. LAND USE RIGHTS

	2016 RMB'000	2015 RMB'000
CARRYING AMOUNT		
At beginning of the year	**77,962**	66,483
Addition	**–**	13,352
Charge to profit or loss for the year	**(2,120)**	(1,873)
At the end of the year	**75,842**	77,962
Analysed for reporting purposes as:		
Current portion *(note 21)*	**2,120**	2,120
Non-current portion	**73,722**	75,842
	75,842	77,962

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

17. INTANGIBLE ASSET

	RMB'000
COST	
At 1 January 2015, 31 December 2015 and 31 December 2016	121,005
AMORTISATION	
At 1 January 2015	–
Amortisation	12,101
At 31 December 2015	12,101
Amortisation	12,101
At 31 December 2016	24,202
CARRYING VALUES	
At 31 December 2016	96,803
At 31 December 2015	108,904

The intangible asset represents customer relationship acquired by the Group as part of a business combination during the year ended 31 December 2014 and has finite useful life and is amortised on a straight line basis over 10 years.

18. GOODWILL

	2016 RMB'000	2015 RMB'000
At cost, arising on acquisition of subsidiaries	**41,773**	41,773

During the year ended 31 December 2014, the Group acquired 60% of the issued share capital of Jiang Mei Limited ("Jiang Mei"), a company incorporated in the British Virgin Island ("BVI"). Jiangsu Trigiant Optic-Electric Communication Co., Ltd. ("Trigiant Optic-Electric") is the subsidiary of Jiang Mei and is engaged in the manufacture and sales of optical fibre cable and related products business (including cables series, electronic components and equipment for communication uses). The goodwill is allocated to the cash-generating unit ("CGU").

18. GOODWILL (continued)

At 31 December 2016, the directors of the Company conducted a review of the carrying value of goodwill and determine that there is no impairment of the CGU containing that goodwill. The recoverable amount of this CGU has been determined based on a value in use calculation. The calculation uses cash flow forecast based on financial budgets approved by the management covering a period of 5 years and discount rate of 15.80% (2015: 16.43%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% (2015: 3%) growth rate. This growth rate is based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budget sales and gross margin. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of this CGU to exceed the aggregate recoverable amount of this CGU.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at cost		
Name of investees		
江蘇俊知傳感技術有限公司 (Jiangsu Trigiant Sensing Technology Co., Ltd.) ("Trigiant Sensing")	**6,375**	6,375
江蘇俊知智慧工業有限公司 (Jiangsu Trigiant Intelligent Industry Co., Ltd) ("Trigiant Intelligent")	**950**	–
	7,325	6,375

At 31 December 2016, the above unlisted equity investments represent 12.5% and 19% equity interests in Trigiant Sensing and Trigiant Intelligent, respectively, which are both private entities established in the PRC. Trigiant Sensing is principally engaged in the research, development, manufacture and sales of radio frequency identification system, new electronic components, optoelectronic integrated components, optoelectronic integrated subsystems, microelectronic devices, sensor and micro smart label products. Trigiant Intelligent is principally engaged in the manufacture and sales of automated system and others. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

20. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	**33,292**	28,977
Work in progress	**20,624**	17,193
Finished goods	**71,012**	49,516
	124,928	95,686

21. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables, net	**2,896,818**	3,015,106
Bills receivables	**18,333**	12,388
	2,915,151	3,027,494
Current portion of land use rights *(note 16)*	**2,120**	2,120
Interest receivables	**5,466**	7,738
Other receivables	**5,801**	12,132
Prepaid expenses	**597**	4,254
Staff advances	**3,535**	2,122
	2,932,670	3,055,860

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

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

	2016 RMB'000	2015 RMB'000
Age		
0–90 days	**795,267**	831,608
91–180 days	**613,879**	748,358
181–365 days	**756,838**	1,239,015
Over 365 days	**749,167**	208,513
	2,915,151	3,027,494

21. TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2016, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,169,950,000 (2015: RMB819,935,000), which are past due at end of the reporting period for which the Group has not provided for impairment loss. Based on the historical experiences, trade receivables that are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balance.

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

	2016 RMB'000	2015 RMB'000
Age		
181–365 days	**420,783**	611,422
Over 365 days	**749,167**	208,513
	1,169,950	819,935

In determining whether an allowance for bad and doubtful debt is required, the Group takes into consideration of credit history, including delay in payments, settlement history and aging analysis of trade receivables. Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

Movement in the allowance for bad and doubtful debts:

	2016 RMB'000	2015 RMB'000
At 1 January	**62,719**	–
Allowance for the year	**135,272**	62,719
At 31 December	**197,991**	62,719

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

	2016 RMB'000	2015 RMB'000
United States Dollars	**7,033**	3,033

22. OTHER FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000
Available-for-sale financial assets — unlisted	**150,000**	–

At 31 December 2016, the Group's other financial assets represented financial products issued by a financial institution, with maturity of 6 to 12 months (2015: Nil) and non-guaranteed returns ranging from 4.8% to 6.0% per annum (2015: Nil), depending on the performance of the underlying investment of such underlying products, including investments in investments in bank savings, listed debt securities, money market bonds, bond market funds, low-risk fixed income investment in asset nature, and other fixed income in asset nature.

These financial assets are designated as available-for-sale financial assets and are measured at cost less any identified impairment losses at the end of each reporting period as these financial assets do not have a quoted market price in an active market and quoted prices in active market for similar financial assets or observable market data as significant inputs for valuation techniques are also not available.

None of the available-for-sale financial assets are past due or impaired. Subsequent to 31 December 2016, the investment period of investment products amounted to RMB40 million had ended and the Group has received related proceeds of approximately RMB41 million (including the relevant investment income) from settlement of such matured investment products.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2016, the pledged bank deposits carried interest at the prevailing market rate ranging from approximately 1.3% to 6.0% (2015: 2.0% to 4.0%) per annum.

At 31 December 2016, the pledged bank deposits represent deposits pledged to banks to secure bank borrowings, bills payables and letters of credit issued by the Group.

At 31 December 2015, the pledged bank deposits represent deposits pledged to banks to secure bills payables and letters of credit issued by the Group.

At 31 December 2016, 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 carried interest at prevailing market rate ranging from 0.01% to 0.35% (2015: 0.01% to 1.35%) per annum.

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

	2016 RMB'000	2015 RMB'000
Hong Kong Dollars	**5,772**	39,696
United States Dollars	**19,063**	70,461
Euro Dollars	**2,096**	33,631

24. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**133,365**	132,704
Bills payables	**294,462**	223,922
	427,827	356,626
Accrued expenses	**8,560**	9,695
Deposits from suppliers	**12,303**	11,860
Other payables	**10,650**	10,003
Other tax payables	**9,987**	12,770
Payable for acquisition of property, plant and equipment	**2,693**	65
Payroll and welfare payables	**20,100**	17,087
	492,120	418,106

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

	2016 RMB'000	2015 RMB'000
Age		
0–90 days	**294,599**	138,489
91–180 days	**51,591**	216,993
181–365 days	**81,637**	1,144
	427,827	356,626

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

	2016 RMB'000	2015 RMB'000
Hong Kong Dollars	**96**	391

25. BANK BORROWINGS — DUE WITHIN ONE YEAR

	2016 RMB'000	2015 RMB'000
Secured *(note)*	**87,260**	–
Unsecured	**1,205,696**	1,302,315
	1,292,956	1,302,315
The bank borrowings comprise:		
Variable rate borrowings	**936,586**	925,366
Fixed rate borrowings	**356,370**	376,949

Note: As at 31 December 2016, the bank borrowings are secured by pledged bank deposits owned by the Group as set out in note 23.

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

	2016 RMB'000	2015 RMB'000
Hong Kong Dollars	**181,586**	134,045
United States Dollars	**69,370**	246,794
Euro Dollars	**–**	35,476

As at 31 December 2016, fixed rate bank borrowings carried interests ranging from 2.36% to 4.79% (2015: 2.55% to 6.30%) per annum.

As at 31 December 2016, variable-rate RMB denominated bank borrowings carried interests at 100% of the People's Bank of China ("PBOC") rate (2015: 95% of PBOC rate to 110% of PBOC rate) per annum.

As at 31 December 2016, variable-rate United States Dollars denominated bank borrowings carried interests ranging from London Interbank Offered Rate ("LIBOR") plus 1.7% to LIBOR plus 2.0% (2015: LIBOR plus 1.8% to LIBOR plus 2.7%) per annum.

As at 31 December 2016, variable-rate Hong Kong Dollars denominated bank borrowings carried interests ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% to HIBOR plus 0.9% (2015: HIBOR plus 1.05% to HIBOR plus 1.85%) per annum.

As at 31 December 2015, variable-rate Euro Dollars denominated bank borrowings carried interests ranging from LIBOR plus 1.08% per annum.

26. GOVERNMENT GRANTS

	2016 RMB'000	2015 RMB'000
At beginning of the year	**1,073**	1,413
Additions	**3,970**	–
Release to profit or loss for the year	**(736)**	(340)
At the end of the year	**4,307**	1,073

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

27. DEFERRED TAXATION

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

	Intangible asset RMB'000	Fair value adjustment on acquisition RMB'000	Tax on undistributed earnings RMB'000	Revaluation of properties RMB'000	Allowance for bad and doubtful debts RMB'000	Total RMB'000
At 1 January 2015	30,252	8,515	7,857	2,034	–	48,658
(Credited) charged to profit or loss for the year	(3,025)	(179)	10,428	(18)	(15,680)	(8,474)
Withholding tax paid	–	–	(10,000)	–	–	(10,000)
At 31 December 2015	27,227	8,336	8,285	2,016	(15,680)	30,184
(Credited) charged to profit or loss for the year	(3,025)	(179)	3,922	–	(14,675)	(13,957)
At 31 December 2016	**24,202**	**8,157**	**12,207**	**2,016**	**(30,355)**	**16,227**

27. DEFERRED TAXATION (continued)

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

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**30,355**	15,680
Deferred tax liabilities	**(46,582)**	(45,864)
	(16,227)	(30,184)

According to relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entity, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Details Implementation Rules. Deferred tax liability on the undistributed earnings of the PRC subsidiaries earned during the year have been accrued at the tax rate of 10% (2015: 10%) on the expected dividend stream of the undistributed earnings of the PRC subsidiaries for each year which is determined by the directors of the Company.

28. WARRANTS

	Number of underlying shares upon exercise of Warrants
Balance at 1 January and 31 December 2015	**200,000,000**
Redeemed during the year	**(200,000,000)**
Balance at 31 December 2016	**–**

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

28. WARRANTS (continued)

Pursuant to the shareholders' approval at the extraordinary general meeting of the Company held on 9 November 2016, the Company has redeemed all outstanding Warrants in full on 5 December 2016.

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

	Date of issue 10 April 2014	31 December 2015
Share price	HK$2.28	HK$1.57
Exercise price	HK$3.15	HK$3.15
Risk rate	0.77%	0.24%
Dividend yield	6.14%	7.84%
Volatility	54.98%	50.46%
Remaining life	3 years	1.28 years

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

	2016 RMB'000	2015 RMB'000
At 1 January	**7,617**	19,926
Exchange realignment	**258**	840
Change in fair value	**(7,604)**	(13,149)
Elimination on redemption	**(271)**	–
At 31 December	**–**	7,617

At 31 December 2016, the fair value of the Warrants outstanding was nil (2015: HK$9,092,000 (approximately RMB7,617,000)). A fair value gain of RMB7,604,000 (2015: fair value gain of RMB13,149,000) is recognised in the current year and the amount has been charged to profit or loss. None of the Warrants have been exercised and all of the Warrants have been cancelled upon completion of the redemption on 5 December 2016. The Company has paid an aggregate sum of HK$600,000 (approximately RMB520,000) for the redemption and loss on redemption of RMB249,000 was charged to profit or loss during the current year.

29. SHARE CAPITAL

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2015, 31 December 2015 and 31 December 2016	**10,000,000,000**	**100,000,000**	
Issued and fully paid:			
At 1 January 2015	1,315,000,000	13,150,000	10,629
Repurchase of shares *(note a)*	(12,500,000)	(125,000)	(101)
Issue of shares *(note b)*	261,000,000	2,610,000	2,123
At 31 December 2015 and 31 December 2016	**1,563,500,000**	**15,635,000**	**12,651**

The movements in the Company's issued share capital are as follows:

(a) During the year ended 31 December 2015, 12,500,000 shares of HK$0.01 each were repurchased at a total consideration of approximately HK$20,430,000 (equivalent to approximately RMB16,615,000). The price of repurchases was ranging from HK$1.50 to HK$1.80 for each share.

(b) On 6 June 2015, the Company entered into a subscription agreement ("Subscription Agreement") with an independent third party to allot and issue 261,000,000 ordinary shares of HK$0.01 each ("Subscription Shares") at a subscription price of HK$2.27 per Subscription Share, further particulars of which are set out in the announcement of the Company dated 7 June 2015. The completion of the Subscription Agreement took place on 14 July 2015.

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

30. SHARE OPTIONS

SHARE OPTION SCHEME OF THE COMPANY

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

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

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

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

30. SHARE OPTIONS (continued)

SHARE OPTION SCHEME OF THE COMPANY (continued)

A total of 74,400,000 share options were granted on 20 June 2014 under the Scheme and a total of 71,600,000 share options remained outstanding as at 31 December 2016. The closing price of the shares of the Company immediately before the date of grant of share options was HK$2.0. The fair value of the share options on date of grant was approximately HK$33,019,000 (approximately RMB26,085,000) which is calculated using Black-Scholes Pricing Model based on risk free rate of 0.742% to 1.724%, expected volatility of 53.663%, expected life of 3 to 7 years and expected dividend rate of 7.0%. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The Group recognised a share-based payment expense of approximately RMB6,200,000 during the year ended 31 December 2016 (2015: RMB9,531,000). In respect of each grantee, the share options shall vest in five equal tranches over five years commencing from the date falling on first anniversary of 4 July 2014, being the date of acceptance, as to 20% of the share options for the first tranche (4 July 2015) and 20% of the share options on each of the following four tranches (that is, 4 July 2016, 2017, 2018 and 2019 respectively), subject to the relevant grantee remaining as an eligible person under the Scheme at the time of each vesting of the share options, and the share options vested are exercisable during a two years period commencing from the date of vesting of the relevant share options.

As at 31 December 2016, 28,640,000 shares were issuable under the Scheme (2015: 14,560,000).

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

Date of grant	Balance at 1 January 2015	Lapsed during the year	Balance at 31 December 2015	Lapsed during the year	Balance at 31 December 2016	Exercise price	Exercisable period
Granted to directors on							
20 June 2014	720,000	–	720,000	–	720,000	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	720,000	–	720,000	–	720,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	720,000	–	720,000	–	720,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	720,000	–	720,000	–	720,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	–	720,000	–	720,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	3,600,000	–	3,600,000	–	3,600,000		
Granted to employees on							
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	14,160,000	(320,000)	13,840,000	(240,000)	13,600,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	70,800,000	(1,600,000)	69,200,000	(1,200,000)	68,000,000		
Total	74,400,000	(1,600,000)	72,800,000	(1,200,000)	71,600,000		

31. CAPITAL RISK MANAGEMENT

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

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

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

32. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	2016 RMB'000	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,857,582**	3,814,909
Other financial assets	**150,000**	–
Available-for-sale investments	**7,325**	6,375
Financial liabilities		
Amortised cost	**1,766,529**	1,697,957
Warrants	**–**	7,617

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include trade and other receivables, available-for-sale investments, pledged bank deposits, other financial assets, bank balances and cash, trade and other payables, warrants and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly interest bearing pledged bank deposits, bank balances and bank borrowings at variable interest rates. Bank borrowings at fixed interest rates expose the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates offered by the PBOC, LIBOR and HIBOR from its RMB denominated borrowings, United States Dollars denominated borrowings and Hong Kong Dollars denominated borrowings, respectively.

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

If interest rates on pledged bank deposits and bank balances had been 5 basis points (2015: 5 basis points) lower and bank borrowings had been 25 basis points (2015: 25 basis points) lower and all other variables were held constant, the Group's post tax profit for the year would be increased by RMB1,406,000 (2015: RMB1,444,000).

There would be an equal and opposite impact on the post tax profit for the year where there had been 5 basis points (2015: 5 basis points) higher for pledged bank deposits and bank balances and 25 basis points (2015: 25 basis points) higher for bank borrowings. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

Currency risk

The Group has foreign currency sales during the year which exposed to foreign currency risk. During the year ended 31 December 2016 approximately 1.1% (2015: 0.6%) of the Group's sales are denominated in currency other than the functional currency of the group entity which it relates.

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

	2016		2015	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Hong Kong Dollars	**5,772**	**181,682**	39,696	134,436
United States Dollars	**26,096**	**69,370**	73,494	246,794
Euro Dollars	**2,096**	**–**	33,631	35,476

32. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Currency risk (continued)

The Group are mainly exposed to currency risk of United States Dollars and Hong Kong Dollars, relative to the RMB, the functional currency of the relevant group entities. The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in the RMB against the relevant foreign currencies. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. The sensitivity analysis includes bank balances, trade and other receivables, trade and other payables and bank borrowings.

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

	2016 **RMB'000**	2015 RMB'000
Hong Kong Dollars	**6,597**	3,553
United States Dollars	**1,623**	6,499
Euro Dollars	**(79)**	69

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

Equity price risk

The Group is exposed to equity price risk in relation to its available-for-sale investments and other financial assets which are measured at cost less impairment at the end of the reporting period. The Group's equity price risk is mainly concentrated on its equity investments in two (2015: one) PRC local enterprises (details are disclosed in note 19) and its other financial assets (details are disclosed in note 22). In managing the equity price risk, the management reviews the carrying amounts of the investments and assess whether there is any indication of impairment on a regular basis.

32. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group has concentration of credit risk in relation to trade and bills receivables from top three customers amounting to RMB2,642,719,000 (2015: RMB2,754,273,000) representing approximately 90.7% (2015: 91.0%) of the total net trade and bills receivables at 31 December 2016. The largest trade receivable from a customer by itself accounted for approximately 47.8% (2015: 41.4%) of the total trade and bills receivables at 31 December 2016. In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade and bills receivables regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk that takes into consideration the credit history, including default or delay in payments, settlement history and aging analysis of trade receivables. In this regard, the directors of the Company consider that the credit risk on trade receivables is significantly reduced.

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

Liquidity risk

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

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

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2016					
Trade and other payables	–	367,573	106,000	473,573	473,573
Bank borrowings					
— variable rate	3.57	604,149	345,094	949,243	936,586
— fixed rate	3.98	222,758	141,073	363,831	356,370
		1,194,480	592,167	1,786,647	1,766,529

32. FINANCIAL INSTRUMENTS (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2015					
Trade and other payables	–	395,642	–	395,642	395,642
Bank borrowings					
— variable rate	3.33	475,989	500,667	976,656	925,366
— fixed rate	4.61	166,578	217,291	383,869	376,949
		1,038,209	717,958	1,756,167	1,697,957

FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Other than the financial liability at FVTPL, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

Financial liability	**Fair value at** **31.12.2016** **RMB'000**	31.12.2015 RMB'000	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable inputs and relationship**
Financial liability at FVTPL: Warrants	–	7,617	Level 2	Binomial model Key inputs: (1) Share price (2) Exercise price (3) Risk free rate (4) Dividend yield (5) Expected volatility (6) Expected life	The higher the risk free rate, dividend yield and expected volatility, the higher the fair value.

There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2016 and 31 December 2015.

33. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

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

	2016 RMB'000	2015 RMB'000
Within one year	**249**	849
In the second to fifth years inclusive	**–**	101
	249	950

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

THE GROUP AS LESSOR

Property rental income earned during the current year was RMB400,000 (2015: RMB400,000). The Group's properties are expected to generate rental yield of 4.0% on an ongoing basis. All of the properties held have a committed tenant, Trigiant Sensing, for the next two years (2015: two years).

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

	2016 RMB'000	2015 RMB'000
Within one year	**400**	67
In the second to fifth years inclusive	**467**	–
	867	67

34. RELATED PARTY TRANSACTIONS

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

The details of remuneration of key management personnel, represents emoluments of directors of the Company paid/payable during the year, are set out in note 10.

35. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 RMB'000	2015 RMB'000
Non-current assets		
Investment in a subsidiary	**785,160**	785,160
Loan to a subsidiary *(note a)*	**150,545**	85,746
	935,705	870,906
Current assets		
Other receivables	**32**	30
Amount due from a subsidiary *(note b)*	**560,290**	726,308
Bank balances	**2,519**	3,141
	562,841	729,479
Current liabilities		
Other payables	**1,951**	2,474
Bank borrowings — due within one year	**163,695**	231,486
	165,646	233,960
Net current assets	**397,195**	495,519
Total assets less current liabilities	**1,332,900**	1,366,425
Non-current liability		
Warrants	**–**	7,617
Net assets	**1,332,900**	1,358,808
Capital and reserves		
Share capital	**12,651**	12,651
Reserves *(note 37)*	**1,320,249**	1,346,156
Total equity	**1,332,900**	1,358,807

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

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

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

37. RESERVES OF THE COMPANY

	Share premium RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2015	840,175	–	5,663	28,605	874,443
Profit and total comprehensive income for the year	–	–	–	186,458	186,458
Issue of shares *(note 29)*	479,748	–	–	–	479,748
Expenses incurred in connection with the issue of shares	(24,198)	–	–	–	(24,198)
Repurchase of shares *(note 29)*	(16,514)	101	–	(101)	(16,514)
Recognition of equity-settled share based payment *(note 30)*	–	–	9,531	–	9,531
Dividends recognised as distribution *(note 12)*	–	–	–	(163,312)	(163,312)
At 31 December 2015	1,279,211	101	15,194	51,650	1,346,156
Profit and total comprehensive income for the year	–	–	–	31,541	31,541
Recognition of equity-settled share based payment *(note 30)*	–	–	6,200	–	6,200
Dividends recognised as distribution *(note 12)*	–	–	–	(63,648)	(63,648)
At 31 December 2016	**1,279,211**	**101**	**21,394**	**19,543**	**1,320,249**

38. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Issue and fully paid share capital/ registered capital		Attributable equity interest of the Company		Principal activities
		2016	2015	**2016**	2015	
Board Vision Investments Limited	BVI	**US$1**	US$1	**100%**	100%	Inactive
China Information Communication Group Limited	Hong Kong	**HK$1**	HK$1	**60%**	60%	Investment holding
Jiang Mei	BVI	**US$280**	US$280	**60%**	60%	Investment holding
Jiangsu Trigiant Technology Co. Ltd* ("Trigiant Technology")	PRC	**US$80,000,000**	US$80,000,000	**100%**	100%	Manufacture and sales of feeder cable series and related products for mobile communications and telecommunication equipment
Trigiant (HK) Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
Trigiant Holdings Limited	BVI	**US$1,000**	US$1,000	**100%**	100%	Investment holding
Trigiant Optic-Electric#	PRC	**RMB200,000,000**	RMB200,000,000	**65%**	65%	Research and development, manufacturing and sale of optical fibre, optical cables, special cable services, electronics components and communication equipment

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

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

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

FINANCIAL SUMMARY

Results *(Note)*	2012 (RMB'000)	2013 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)	**2016 (RMB'000)**
Turnover	2,230,555	2,458,000	2,658,093	2,913,379	**2,920,995**
Cost of goods sold	(1,708,730)	(1,893,033)	(2,065,226)	(2,263,320)	**(2,308,791)**
Gross profit	521,825	564,967	592,867	650,059	**612,204**
Other income	12,843	8,297	14,869	22,440	**28,659**
Other gains and losses	828	2,078	1,230	(91,671)	**(148,849)**
Selling and distribution costs	(72,790)	(63,764)	(52,258)	(61,849)	**(60,663)**
Administrative expenses	(52,114)	(52,693)	(47,224)	(52,837)	**(56,568)**
Research and development costs	(14,344)	(23,745)	(26,709)	(47,049)	**(51,448)**
Other expenses	(13,275)	–	–	–	**–**
Fair value change of warrants	–	–	(18,317)	13,149	**7,604**
Gain recognised on deemed disposal of available-for-sale investment	–	–	23,769	–	**–**
Finance costs	(79,918)	(55,019)	(46,538)	(73,293)	**(59,804)**
Profit before tax	303,055	380,121	441,689	358,949	**271,135**
Taxation	(50,757)	(66,551)	(72,620)	(57,183)	**(49,191)**
Profit for the year	252,298	313,570	369,069	301,766	**221,944**
Profit attributable to:					
Owners of the Company	252,298	313,570	369,069	275,253	**192,608**
Non-controlling interests	–	–	–	26,513	**29,336**
	252,298	313,570	369,069	301,766	**221,944**

Assets and liabilities *(Note)*	2012 (RMB'000)	2013 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)	**2016 (RMB'000)**
Non-current assets	291,213	308,479	516,229	538,685	**550,712**
Current assets	2,030,274	2,325,913	3,428,216	3,926,799	**4,141,129**
Total assets	2,321,487	2,634,392	3,944,445	4,465,484	**4,691,841**
Current liabilities	1,203,418	1,025,458	1,812,426	1,759,865	**1,825,391**
Non-current liabilities	113,311	104,690	69,997	54,554	**50,889**
Total liabilities	1,316,729	1,130,148	1,882,423	1,814,419	**1,876,280**
Net assets	1,004,758	1,504,244	2,062,022	2,651,065	**2,815,561**

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