TRIGIANT
俊知集团

TRIGIANT GROUP LIMITED
俊知集團有限公司*

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

ANNUAL REPORT 2017

* For identification purposes only

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CORPORATE INFORMATION

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

NON-EXECUTIVE DIRECTOR
Dr. Fung Kwan Hung

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

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

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

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

COMPANY SECRETARY
Leung Siu Kei

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

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Jiangsu Province
PRC

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HKEX STOCK CODE
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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
Postal Savings Bank of China

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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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. In 2014, the Group extended its businesses in telecommunication industry to manufacturing and sales of optical fibre cable business by acquiring 65% effective interest in a fast-growing optical fibre cable manufacturer, namely Jiangsu Trigiant Optic-Electric Communication Co., Ltd.. The Group acquired its remaining interest in June 2017.

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 cables

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 2017 ("Year").

In 2017, Trigiant embraced both challenges and opportunities. Given the macroeconomic performance during the Year, China's economy remained in the process of the changing of the development model, optimising the economic structure and transforming the growth momentum, and faced many challenges. As major raw materials of the Group's products, metal commodities including copper performed well in terms of pricing. After reaching the bottom in 2016, the prices recovered amid an improving global economy. In the second half of the Year, the copper price rebounded significantly, representing a year-on-year increase of approximately 30%. As our products are all priced in a cost-plus model, the copper pricing lays a sound foundation for growth of the Group.

In respect of the communications industry, the mobile telecommunications sector continued to develop the 4G services during the Year, while actively preparing the development of 5G services, as the communications industry has an increasing demand for further development and upgrade. On the other hand, the PRC government also launched a series of policies and measures to promote the development of the communications industry, which in return spurred a fast growth in the mobile communications industry. In view of this, the Group timely realigned its pricing and marketing strategies, while closely observing the market trend for securing business opportunities. As a result, the Group recorded steady revenue growth for the Year.

Benefiting from tremendous government support for the 4G network, the number of 4G network users and the number of base stations significantly surged. According to the latest statistics available from the Ministry of Telecommunications Research Institute, as at December 2017, the total number of mobile network users of 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") (collectively the "three major telecommunications operators") reached approximately 1,410 million, among which, 4G network users accounted for nearly 70%, while mobile broadband users totalled 1,110 million, representing approximately 78.9% of the mobile phone users.

During the Year, benefiting from the continuous improvement in the telecommunication infrastructure, the overall sales of the Group were increased, including feeder cables, optical fibre cables and flame-retardant flexible cables. In particular, sales of the feeder cables increased by approximately 4.3% to approximately 171,000 kilometres. Meanwhile, tight supply, along with recovery of global manufacturing and a steady improvement in the PRC market demand, bolstered a soaring copper price during the Year. The copper pricing in London increased from 5,481.5 points at the beginning of 2017 to 6,928.5 points at the end of the Year, during which, 7,177 points were recorded as the highest, up by 30.9%. As the cost-plus-price model is also adopted for our feeder cables and flame-retardant flexible cables, the average sales price and gross profit of the Group's products increased in proportionate to the increasing copper price.

In June 2017, the Group completed the acquisition of the remaining 35% effective equity interests in the optics-electron business, whose financial results were fully consolidated into the Group's results and contributed to the Group's satisfactory performance. However, the gross profit margin recorded a slight decrease as the Group reallocated its product portfolio in light of the change from outdoor coverage to indoor coverage in the mobile communications infrastructure.

The Board proposed to declare a final dividend per share of HK2.1 cents to thank the shareholders of the Company for their continued trust and support.

Further upgrade in the communications industry is anticipated in the next few years, during which, Internet of Things and the 5G network will be the focal areas. According to the arrangements of standards organisations such as International Telecommunication Union (ITU) and the Third Generation Partnership Project (3GPP), the initial 5G standard will be determined by the end of 2017. It is expected that the 5G standard will be improved step-by-step in about two years and that operators will scale up investments in the 5G network with effect from 2020 following completion of the 5G trial network testing. By virtue of its huge user market, China will become the major force to deploy the 5G network. On the other hand, the government is strenuously advancing the 5G development. In 2017, 5G was included in the Work Report of the State Council for the first time, whereby proposing "to fully implement the plan for developing strategic emerging industries, accelerate the technology research and transformation of fifth generation mobile communications, and develop industrial clusters in these fields". Subsequently, the government introduced a series of related policies. On 28 November 2017, the General Office of the NDRC promulgated the Circular on Coordinating the Implementation of the New-generation Information Infrastructure Construction for 2018 (《關於組織實施2018年新一代信息基礎設施建設工程的通知》), pursuant to which, the 5G networking construction and application pilot project will focus on municipalities directly under the Central Government, provincial capitals and major cities in the Pearl River Delta region, the Yangtze River Delta region and the Beijing-Tianjin-Hebei region. Furthermore, the 5G network construction is required in at least 5 cities in these named regions with not less than fifty 5G base stations in each such city. This manifests the government's full confidence in developing the 5G network, indicating that commercialisation of the 5G network is further accelerated. Recently, China Mobile has announced its pre-commercialised trials in 20 cities in the coming year with large-scale network trials to be launched in 2019. It is expected that the 5G network will cover 100 cities and the 5G base stations will reach 10,000 in 2020.

As the 5G era is approaching, the Group anticipates an unprecedentedly rising market demand for feeder cables and flame-retardant flexible cables. As a result, the Group will continue to maintain close cooperation with the three major telecommunications operators, while vigorously making good preparation. On the other hand, the Group will keep a close eye on and capture market opportunities to maintain our leading position in the mobile communications market.

Besides the 5G construction, the Narrowband Internet of Things (NB-IoT) is also a buzzword in the industry. According to the Circular on Fully Promoting the Construction and Development of Narrowband Internet of Things (NB-IoT) as promulgated by the Ministry of Industry and Information Technology ("MIIT") in June 2017, the market proactively promotes the construction NB-IoT stations. In view of the increasingly mature NB-IoT, the Group has implemented a series of strategic plans and actively explores potential projects and technologies in the NB-IoT industry chain for the purposes of preparing well for the booming market.

To embrace new industry changes, the Group will continue to focus on development opportunities in overseas markets in addition to striving for a leading position in the upgrading communications market through its active domestic business expansion. Looking into the future, the Group will continue to attend the international trade exhibitions held in the United Arab Emirates, India, Spain, Russia, Singapore, Thailand, Vietnam and other countries along the "Belt and Road" Initiative, while revisiting overseas customers to follow up on orders and broaden income sources.

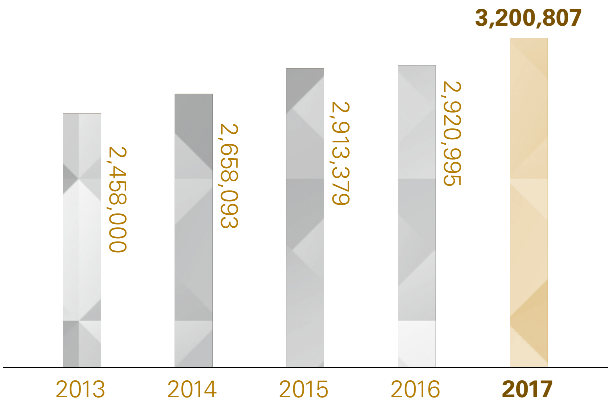
I would like to express my heartfelt appreciation to our business partners, customers and shareholders for their support on behalf of the Board. I would also like to thank the management team and all our staff for their contribution to the development of the Group over the past year. I believe that the 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

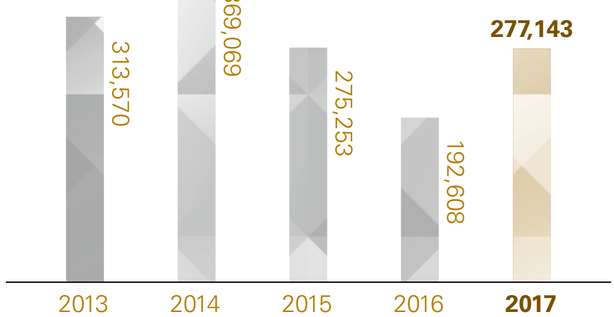
Hong Kong, 26 March 2018

FINANCIAL HIGHLIGHTS

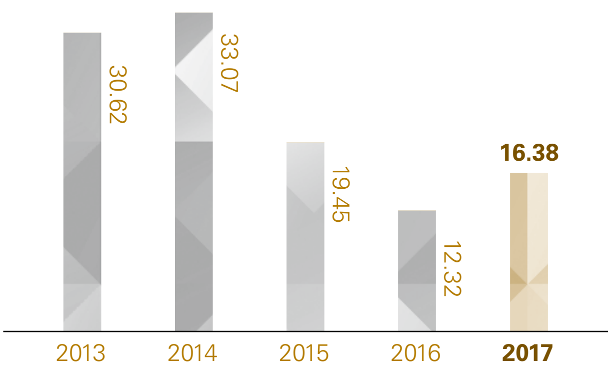
TURNOVER
(RMB'000)



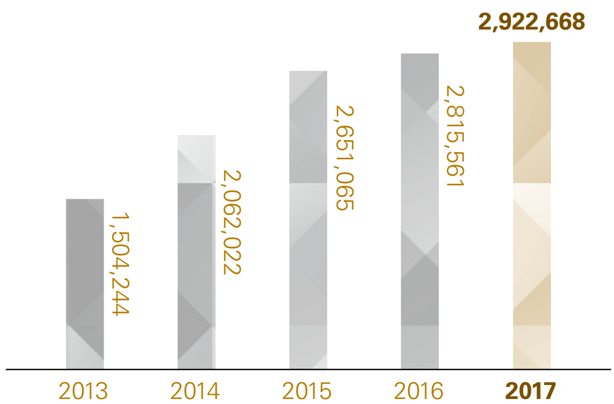
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB'000)



EARNINGS PER SHARE
(RMB cents)



TOTAL EQUITY
(RMB'000)



FINANCIAL HIGHLIGHTS

Results performance for the year ended 31 December	2017	2016
Total turnover *(RMB'000)*	**3,200,807**	2,920,995
Turnover of feeder cable series *(RMB'000)*	**1,623,526**	1,450,555
Turnover of optical fibre cable series and related products *(RMB'000)*	**974,544**	851,284
Turnover of flame-retardant flexible cable series *(RMB'000)*	**514,281**	484,824
Gross profit *(RMB'000)*	**627,621**	612,204
Gross profit margin	**19.6%**	21.0%
Profit for the year attributable to owners of the Company *(RMB'000)*	**277,143**	192,608
Net profit margin	**8.7%**	6.6%
Basic earnings per share	**RMB16.38 cents**	RMB12.32 cents
Diluted earnings per share	**RMB16.38 cents**	RMB12.32 cents

Liquidity and gearing ratios	2017	2016
Inventories turnover day *(Note 1)*	**17 days**	17 days
Trade and bills receivables turnover day *(Note 2)*	**319 days**	331 days
Trade and bills payables turnover day *(Note 3)*	**43 days**	53 days
Current ratio	**2.3**	2.3
Gearing ratio *(Note 4)*	**23.0%**	12.8%

Operating cash flow and capital expenditure for the year ended 31 December	2017	2016
Net cash (used in)/from operating activities *(RMB'000)*	**(94,588)**	472,474
Capital expenditure *(RMB'000)*	**1,324**	41,173

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.

MARKET REVIEW

In 2017, the total number of mobile network users in China reached approximately 1,417 million, representing a net increase of 95 million compared with 2016, of which about 997 million were 4G network users with a penetration rate of approximately 70%. 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. 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, the number of new mobile base stations increased by approximately 593,000, of which approximately 652,000 were net increase in 4G base stations, to approximately 6,200,000.

Alongside the mobile communication transmission network, the construction of the broadband network has also been improved. In 2017, with further implementation of the "Broadband China" initiative, optical cable lines increased by 7.0 million kilometres nationwide, representing an increase of approximately 23.2% to a total of about 37.5 million kilometres. The number of broadband access ports also increased by approximately 9.3% to approximately 779 million.

During the year under review, commodity prices fluctuated significantly worldwide where copper price has started to rebound since October 2016. As compared with 2016, the average copper price increased by approximately 30%. 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 2017, as a result of the increase in the average copper price, the average selling price of such products had increased, improving the performance of their turnover and gross profit.

RESULT ANALYSIS

As of 31 December 2017, 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 rising copper price in 2017 increased, the selling prices of feeder cables and flame-retardant flexible cables and thus their turnovers also increased. On the other hand, results on optical fiber cable series and related products still recorded a satisfactory growth, and all in all, the Group's annual turnover increased by 9.6% from approximately RMB2,921.0 million in 2016 to approximately RMB3,200.8 million in 2017. Gross profit increased by approximately 2.5% from approximately RMB612.2 million in 2016 to approximately RMB627.6 million in 2017. Gross profit margin decreased by approximately 1.4 percentage points from approximately 21.0% in 2016 to approximately 19.6% in 2017. The increase in gross profit but decrease in gross profit margin were caused by the Group's strategical adjustment on the selling prices of certain products and the automation improvement program which temporarily ceased the production process for capacity improvement.

The profit attributable to owners of the Company increased by RMB84.5 million from approximately RMB192.6 million in 2016 to approximately RMB277.1 million in 2017, and the basic earnings per share increased by approximately RMB4.06 cents from approximately RMB12.32 cents in 2016 to approximately RMB16.38 cents in 2017. The increase in profit attributable to owners of the Company in 2017 were contributed by (i) increase in revenue; (ii) decrease in other gains and losses due to decrease in allowance for bad and doubtful debts for trade receivables by approximately RMB46.2 million and an exchange gain of approximately RMB5.3 million in 2017 as compared with an exchange loss of approximately RMB13.3 million in 2016; and (iii) decrease in selling and distribution costs and administrative expenses by approximately RMB6.0 million and RMB3.8 million respectively due to cost control.

BREAKDOWN OF TURNOVER BY PRODUCTS

Year ended 31 December	2017 RMB'000	2016 RMB'000	Change RMB'000	Change Percentage
Feeder cable series	**1,623,526**	1,450,555	+172,971	+11.9%
Optical fibre cable series and related products	**974,544**	851,284	+123,260	+14.5%
Flame-retardant flexible cable series	**514,281**	484,824	+29,457	+6.1%
New-type electronic components	**78,418**	109,601	-31,183	-28.5%
Others	**10,038**	24,731	-14,693	-59.4%
Total	**3,200,807**	2,920,995	279,812	+9.6%

Feeder cable series — approximately 50.7% of the total turnover

In 2017, benefiting from the booming 4G network, the sales volume of the Group's feeder cable products recorded a continuous growth. The sales of the feeder cable series increased by approximately 7,000 kilometres to approximately 171,000 kilometres on a year-on-year basis. Furthermore, an increase in the copper price during the year under review had led to an increase in the average selling price of the feeder cable series. 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 rose by approximately 11.9% in 2017 to approximately RMB1,623.5 million as compared with 2016, and the gross profit margin fell slightly by approximately 0.9 percentage points to approximately 21.0% in 2017 as compared with 2016.

Optical fibre cable series and related products — approximately 30.4% of the total turnover

The broadband network construction in 2017 has driven the demand for optical fibre cable products in the market. Annual sales of the optical fibre cable series increased by approximately 3.4% to approximately 9,967,000 fibre kilometres. The turnover of optical fibre cable series increased by approximately 14.5% in 2017 to approximately RMB974.5 million as compared with 2016. The gross profit margin fell by approximately 1.3 percentage points to about 18.9% in 2017 as compared with 2016.

Flame-retardant flexible cable series — approximately 16.1% 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 2017. Rebounded copper price during 2017 caused an upward adjustment to the average selling price of the Group's flame-retardant flexible cables series. Nonetheless, the change in product mix in 2017 such that the turnover of flame-retardant flexible cable series only increased by approximately 6.1% in 2017 to approximately RMB514.3 million as compared with 2016.

MAJOR CUSTOMER 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 2017, the Group maintained business relationships with all 31 provincial subsidiaries of China Unicom, 28 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 41.6%, 36.0%, and 14.7% 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 other companies. By closely following the latest movements of its business partners, the Group will timely adjust its business strategy.

PATENTS, AWARDS AND RECOGNITION

As at 31 December 2017, the Group had obtained 98 patents and developed 107 new products in the PRC. 45 products of the Group were granted the Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. The Group received various awards and honours including Trigiant Technology ranked 30th in the 30th Session of Top 100 PRC Electronic Component Enterprises 2017 (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 2017. The rebound in the copper price brought 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. The Group 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.

With the increasing implementation of policies on 5G network, the PRC government has made practical efforts to promote 5G development. In response to the changes in policies, China Mobile announced in early July 2017 that it would carry out 5G network field-testing in Beijing, Shanghai, Guangzhou, Suzhou and Ningbo in the second half of 2017. China Mobile also announced that the 5G network would be in pre-commercial stage in 2019 and mass commercial use in 2020.

On 28 November 2017, the General Office of the National Development and Reform Commission ("NDRC") promulgated the Circular on Coordinating the Implementation of the new generation Information Infrastructure Construction for 2018 (《關於組織實施2018年新一代信息基礎設施建設工程的通知》). In 2018, the NDRC will promote the construction through implementing 5G networking construction and application pilot trial with a focus on municipalities directly under the Central Government, provincial capital cities and major cities of the Pearl River Delta, the Yangtze River Delta and the Beijing-Tianjin-Hebei region, aiming to carry out 5G network construction in at least 5 cities with not less than 50 5G network base stations in each such city. This shows that 5G network development has been a key plan of China. In view of the accelerated construction of mobile communication networks and optical communication networks, the Group believes its feeder cable series products and optical fibre cable products will benefit from the huge market demand. The Group will keep a close eye on any business opportunity and continue to maintain close cooperation with the three major telecommunications operators. On the other hand, the Group will proactively identify suitable optical fibre manufactures with whom the Group can establish business relationships and explore opportunities for optical fibre cable expansion.

In addition to 5G network construction, Narrowband Internet of Things ("NB-IoT") is another focus in the telecommunications market in the PRC. In June 2017, the MIIT promulgated the Circular on Fully Promoting the Construction and Development of NB-IoT. It is proposed in the circular that the number of China's NB-IoT base stations should reach 400,000 by the end of 2017, and 1.5 million by 2020. In view of the increasingly mature NB-IoT industry, the Group has launched a series of deployment plans to actively identify potential projects and technologies in the NB-IoT industry chain. As early as 2010, the Group invested in development of NB-IoT technology. At present, the Group holds 12.5% interests in a company engaged in the manufacture of light-sensing equipment. Furthermore, the Group will actively seek opportunities in relevant industries and prepare for the market.

Although the market has entered the era of 4G/5G network, there are still some 2G/3G network users. In order to serve these users, operators and equipment vendors still need to maintain and operate the 2G/3G networks. According to the feedback from the major equipment vendors of the Group, the 2G network infrastructure has entered the upgrade phase due to its long service time, leading to a fast growing demand for frequency feeder cable products. The Group will keep a close eye on related market opportunities to broaden its revenue sources.

Looking into the future, the Group will also focus on overseas development opportunities. In line with the "One Belt One Road Initiative", the Group has attended various international trade exhibitions held in the United Arab Emirates, India, Spain, Russia, Singapore, Thailand and Vietnam in 2017. In 2018, the Group will continue to visit overseas customers so as to follow up with sales orders and diversify its revenue sources. The Group will continue to improve production efficiency, maintain its leading market position in the industry and prepare itself to embrace new development opportunities through observing the emerging trends of NB-IoT and optical fibre and cable industry.

FINANCIAL PERFORMANCE REVIEW

Turnover

Total turnover of the Group increased by approximately RMB279.8 million, or approximately 9.6%, from approximately RMB2,921.0 million in 2016 to approximately RMB3,200.8 million in 2017. The increase in turnover was mainly contributed by increase in the turnover of feeder cable series, optical fibre cable series and related products and flame-retardant flexible cable series of approximately RMB173.0 million, RMB123.3 million and RMB29.5 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 increase in turnover of feeder cable series and flame-retardant flexible cable series was largely driven by the increase in the average copper price in 2017.

Overall sales to the three major telecommunications operators in the PRC increased by approximately RMB309.6 million from approximately RMB2,644.2 million in 2016 to approximately RMB2,953.8 million in 2017.

Cost of goods sold

Cost of goods sold increased by approximately RMB264.4 million, or approximately 11.5%, from approximately RMB2,308.8 million in 2016 to approximately RMB2,573.2 million in 2017. The cost of materials consumed remained the major components of cost of goods sold and accounted for approximately 97% of the total cost of goods sold in both 2016 and 2017. The increase in cost of goods sold was in line with the increase in turnover in 2017.

Gross profit and gross profit margin

Gross profit increased by approximately RMB15.4 million, or approximately 2.5%, from approximately RMB612.2 million in 2016 to approximately RMB627.6 million in 2017. Such increase was mainly attributable to rebound of copper price and thus increase in turnover.

Other income

Other income decreased by approximately RMB2.1 million, or approximately 7.3%, from approximately RMB28.7 million in 2016 to approximately RMB26.6 million in 2017. Such decrease was primarily due to the substantial decrease in government grant of approximately RMB4.4 million and investment income from other financial assets of approximately RMB2.3 million, partially offset by increase in interest income of approximately RMB4.0 million.

Other gains and losses

Other gains and losses decreased from a loss of approximately RMB148.8 million in 2016 to a net loss of approximately RMB83.1 million in 2017, by approximately RMB65.7 million, or approximately 44.2%. Such decrease was primarily due to a substantial decrease in allowance for bad and doubtful debts from approximately RMB135.3 million in 2016 to approximately RMB89.1 million in 2017, by RMB46.2 million, and due to an exchange gain of approximately RMB5.3 million in 2017 as compared with an exchange loss of approximately RMB13.3 million in 2016.

Selling and distribution costs

Selling and distribution costs decreased by approximately RMB6.0 million, or approximately 9.9%, from approximately RMB60.7 million in 2016 to approximately RMB54.7 million in 2017. Such decrease was mainly due to the decrease in entertainment expenses 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 decreased by approximately RMB3.9 million, or approximately 6.9%, from approximately RMB56.6 million in 2016 to approximately RMB52.7 million in 2017. Such decrease was primarily due to decrease in staff cost and travelling expenses.

Research and development costs

Research and development costs increased by approximately RMB4.4 million, or approximately 8.6%, from approximately RMB51.4 million in 2016 to approximately RMB55.8 million in 2017. 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-measures 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. A gain on change in fair value of the Warrants amounted to approximately RMB7.6 million was recognised in 2016 whereas no fair value change was recognised in 2017 as all Warrants were redeemed by the Company in December 2016.

Finance costs

Finance costs decreased by approximately RMB3.3 million, or approximately 5.5%, from approximately RMB59.8 million in 2016 to approximately RMB56.5 million in 2017. Such decrease was mainly attributable to decrease in average bank borrowings balances in 2017.

Taxation

Taxation charge increased by approximately RMB10.1 million, or approximately 20.5%, from approximately RMB49.2 million in 2016 to approximately RMB59.3 million in 2017. 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 increase in taxation charge in 2017 was primarily attributable to increase in taxable profit of Trigiant Technology and Trigiant Optic-Electric.

Profit for the year

The profit for the year attributable to owners of the Company increased by approximately RMB84.5 million, or approximately 43.9%, from approximately RMB192.6 million in 2016 to approximately RMB277.1 million in 2017. The net profit margin increased by 2.1 percentage points from approximately 6.6% in 2016 to approximately 8.7% in 2017.

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 2017:

	2017 **RMB'000**	2016 RMB'000
Net cash (used in) generated from operating activities	**(94,588)**	472,474
Net cash from (used in) investing activities	**153,900**	(101,473)
Net cash used in financing activities	**(61,237)**	(147,633)

As at 31 December 2017, the Group had bank balances and cash and pledged bank deposits of approximately RMB793.2 million and the majority of which were denominated in RMB. As at 31 December 2017, the Group had total bank borrowings of approximately RMB1,466.7 million which were repayable within one year. As at 31 December 2017, approximately RMB477.6 million of the total bank borrowings were fixed rate borrowings and approximately RMB989.1 million were variable rate borrowings. As at 31 December 2017, bank borrowings of approximately RMB1,347.5 million were denominated in RMB, approximately RMB50.2 million were denominated in Hong Kong dollars and approximately RMB69.0 million were denominated in United States dollars.

In 2017, 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, increased from approximately 12.8% as at 31 December 2016 to approximately 23.0% as at 31 December 2017. Such increase was primarily due to the acquisition of remaining 40% interest in a subsidiary by cash settlement of approximately RMB137.7 million and increase in bank borrowings balance of approximately RMB173.7 million as at 31 December 2017.

PLEDGE OF ASSETS

As at 31 December 2017, the Group pledged banks deposits of approximately RMB337.9 million (2016: RMB476.3 million) to secure certain credit facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017.

EMPLOYEE INFORMATION

As at 31 December 2017, the Group had a total of 904 full time employees (2016: 944). 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

The Group held unlisted investment products in an aggregate principal amount of RMB150 million ("Investment Products") issued by several banks (2016: a financial institution) in the PRC with the anticipated (but not guaranteed) annual rates of return from 5.1% to 5.2% (2016: 4.8% to 6.0%). The investment scope of the Investment Products principally includes investments in bank savings, listed and private debt equities, money market bonds, bond market funds trust plans, asset-backed securities, and other fixed income in asset nature.

The purchases of the Investment Products were funded by internal resources of the Group and with an intent to maximising the use of its funds with satisfactory return. The Directors believed that such investments can 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

On 30 March 2017, Trigiant Holdings Limited ("Trigiant Holdings") (a wholly-owned subsidiary of the Company) as purchaser, Easy Beauty Limited ("Easy Beauty") as vendor and Mr. Zhu Xujin, Mr. Shao Yijun and Mr. Zhao Ting as warrantors entered into a sale and purchase agreement pursuant to which Trigiant Holdings conditionally agreed to purchase and Easy Beauty conditionally agreed to sell 112 shares of Jiang Mei Limited ("Jiang Mei"), representing 40% of the issued share capital of Jiang Mei at the consideration of RMB377,434,849 ("Jiang Mei Acquisition"). Jiang Mei owned 87.5% equity interest in Trigiant Optic-Electric (江蘇俊知光電通信有限公司) (in English for identification purpose only, Jiangsu Trigiant Optic-Electric Communication Co., Ltd.) and the remaining 12.5% equity interest was owned by the Group.

Easy Beauty held approximately 12.79% of the issued share capital of the Company as at the date of the sale and purchase agreement and was thus a substantial shareholder of the Company. Accordingly, Easy Beauty was a connected person of the Company and the Jiang Mei Acquisition was a discloseable and connected transaction under the Listing Rules.

Completion of the Jiang Mei Acquisition was subject to the following conditions:

(1) the independent shareholders having passed the necessary resolution approving the transactions contemplated under the sale and purchase agreement and the allotment and issue of the consideration shares including the specific mandate at the extraordinary general meeting of the Company;

(2) the independent shareholders having passed the necessary resolution approving the whitewash waiver at the meeting;

(3) the Executive Director of the Securities and Futures Commission of Hong Kong having granted the whitewash waiver and the satisfaction of any condition attached to the whitewash waiver granted, and the whitewash waiver not being revoked;

(4) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the consideration shares, and such approval not being revoked;

(5) the compliance with the applicable requirements under the Listing Rules by the Company;

(6) all such waivers, consents or other documents (if any) as Easy Beauty may require in relation to the completion of the transactions contemplated under the sale and purchase agreement having been obtained; and

(7) the representations, warranties and undertakings given by Easy Beauty and the warrantors to Trigiant Holdings remain true, accurate and not misleading.

The consideration of RMB377,434,849 was settled as to RMB140,095,440 in cash and as to RMB237,339,409 by the allotment and issue, credited as fully paid, of 228,000,000 new ordinary shares of the Company to Easy Beauty at completion. All such conditions precedent have subsequently become unconditional and completion of the Jiang Mei Acquisition took place on 9 June 2017. 228,000,000 new ordinary shares of the Company were allotted to Easy Beauty, credited as fully paid at an issue price of approximately HK$1.174 per Share. After completion, the Group holds 100% interest in Jiang Mei.

Over the recent several years, the PRC has witnessed a fast growth in the broadband network coverage and it is expected that investments in the network construction will continue to rise, amongst which investments in the 4G network and the broadband network will take a dominant role. In view of the historical performance of the Jiang Mei through Trigiant Optic-Electric, taking into account the Group's optical quality products and services and given the Group's stable and long-term collaboration with the three major telecommunications operators in the PRC, the Directors are of the view that the Jiang Mei Acquisition will provide a prime opportunity for the Group to continue to develop its optical fibre cable product business segment which will lay a solid foundation for the long-term development of this business and give a positive impact to the operations, financial results and profitability of the Group.

Save for the Jiang Mei Acquisition, the Group had no material acquisition or disposal of subsidiaries or associated companies and no significant investments held during the year ended 31 December 2017.

MR. QIAN LIRONG
Executive Director and Chairman

Mr. Qian Lirong, aged 53, 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.

MR. JIANG WEI

Executive Director and Group chief executive officer

Mr. Jiang Wei, aged 59, 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 49, 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.

PROFESSOR JIN XIAOFENG

Independent Non-Executive Director

Professor Jin Xiaofeng, aged 49, 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 48, 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.

MS. JIA LINA

Independent Non-Executive Director

Ms. Jia Lina, aged 50, is an independent non-executive Director. She has over 20 years of experience in accounting. Ms. Jia has been 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. LEUNG SIU KEI

Company Secretary

Mr. Leung Siu Kei, aged 41 is the company secretary of the Company. Mr. Leung is primarily responsible for company secretarial of the Group. Mr. Leung has over 19 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.

MR. LEE YIU WAI WILLIAM

Financial Controller

Mr. Lee Yiu Wai William, aged 34 is the financial controller of the Company. Mr. Lee is primarily responsible for corporate finance, finance reporting and investor relations management affairs of the Group. Mr. Lee has over 10 years of experience in corporate finance, accounting and auditing. He was a senior manager of PricewaterhouseCoopers before joining the Group in 2017.

Mr. Lee obtained a bachelor's degree in BBA in Accounting and Finance from The University of Hong Kong. He is a member of 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 2017.

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 2017 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 with 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 2017.

BOARD OF DIRECTORS

(I) Board composition

The Board currently comprises a combination of two executive Directors, one non-executive Director and three independent non-executive Directors. 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 other members of the Board.

During the year ended 31 December 2017 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 *(resigned on 22 August 2017)*
Ms. Jia Lina

Alternate Director to Mr. Qian Lirong

Mr. Qian Chenhui

(II) Board meetings

During the year ended 31 December 2017, ten 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 determines 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 at least three independent non-executive Directors during the year ended 31 December 2017. 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 2017, 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 attending 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 2017.

(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 2017.

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 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 2017.

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 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 2017, 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 2016, the interim review scope and process for the Group's results for the six months ended 30 June 2017, the interim results for the six months ended 30 June 2017 and audit scope and process for the Group's annual results for the year ended 31 December 2017 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 with reference to the market data. 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 Ms. Jia Lina, and one executive Director, namely Mr. Jiang Wei. Ms. Jia Lina is the chairman of the remuneration committee.

During the year ended 31 December 2017, the remuneration committee has held two meetings, at which the members of remuneration committee principally reviewed and made recommendations on the remuneration agreement, structure and policy for the Directors and senior management. The remuneration committee made recommendation based on performance of 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 succession of the management of the Board. 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 2017, 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 2017, 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 to 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 Professor Jin Xiaofeng. Mr. Jiang Wei is the chairman of the corporate governance committee.

During the year ended 31 December 2017, 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 2017 are set out below:

	Board Meeting	Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	Corporate governance committee meeting	Board committee meeting	Independent committee meeting	General meeting
Executive Directors								
Mr. Qian Lirong *(Chairman)*	10/10	N/A	N/A	N/A	N/A	3/3	N/A	2/2
Mr. Jiang Wei *(Group chief executive officer)*	10/10	N/A	2/2	N/A	1/1	3/3	N/A	2/2
Non-executive Director								
Dr. Fung Kwan Hung	9/10	N/A	N/A	N/A	N/A	N/A	2/2	2/2
Independent Non-executive Directors								
Professor Jin Xiaofeng	10/10	5/5	N/A	1/1	1/1	N/A	2/2	2/2
Mr. Poon Yick Pang Philip	10/10	5/5	2/2	1/1	1/1	N/A	2/2	2/2
Mr. Ng Wai Hung (resigned on 22 August 2017)	6/7	2/2	0/1	N/A	N/A	N/A	2/2	1/2
Ms. Jia Lina	10/10	5/5	1/1	1/1	N/A	N/A	2/2	2/2

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, 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	1,558
Non-audit services	
Review of the interim consolidated financial statements	363
Review of circular	216
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 on 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.

Reference is made to the Company's announcement dated 17 January 2017. The Group has taken the following actions in order to improve the compliance procedures and to ensure that any acquisition of investment would comply with Chapter 14 of the Listing Rules: (1) the Group has reviewed its current investment portfolio to check whether it shall comply with any requirements under the Listing Rules; (2) the Group has reviewed and modified the current policy of acquisition or disposal of assets to enhance the internal control; and (3) the Group has issued a memorandum to the management of the Group who are responsible for managing the investment activities, confirming that: (a) the Group would evaluate the implications of the Listing Rules, including but not limited to consulting external legal advisers, financial advisers and/or the Stock Exchange, before effecting any subscription so as to ensure the compliance with the applicable requirements under the Listing Rules; and (b) monthly summary reports would be prepared on the investment transactions and report to the Board for its review.

During the year ended 31 December 2017, the Group purchased three investment products where each purchase of the Investment Products, on a stand-alone basis or an aggregate basis, was not a notifiable transaction of the Company for the purpose of Chapter 14 of the Listing Rules.

The Group currently does not have an internal audit function. Nonetheless, the Company has engaged a consulting firm to conduct an annual review of the effectiveness of the internal control system of the Group including making recommendations to enhance the overall internal control system for the year ended 31 December 2017. The internal control review report has been approved by the 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 of the audit committee, is responsible for performing ongoing monitoring of identified risks, designing risk alleviating measures and performing 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 the management of the Group and considered the risk management process is adequate and effective.

COMPANY SECRETARY

During the year ended 31 December 2017, 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 2017.

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 2017, there was no change in the Company's constitutional documents.

On behalf of the Board
Qian Lirong
Chairman

Hong Kong, 26 March 2018

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 2017. For information on corporate governance, please refer to the Corporate Governance Report contained in 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 2017 to 31 December 2017 ("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"), primarily covering Jiangsu Trigiant Technology Co. Ltd. and Trigiant Optic-Electric Communication Co. Ltd..

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

The Group understands that stakeholders are closely connected to the Group's business development. The Group communicates with key stakeholders through various channels. The preparation of this ESG Report has also been attended by our colleagues at each department which 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

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 practises 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 telecommunications operators and major equipment manufacturers, 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 telecommunication operators' main communication 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 contribute to China's communications industry.

GREEN OPERATION

In the wake of environmental pollution, the international community has become increasingly aware of environmental protection and its 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 "Yixing Green Enterprise" and "Yixing Ecological Civilisation Demonstration Unit", fully reflecting our commitment to environmental protection.

WASTE DISPOSAL*

During the Year, the hazardous waste generated from the Group's business operations, which mainly included waste mineral oil, waste activated carbon, waste alcohol and waste ink, amounted to a total of approximately 0.7 tons. The average amount of hazardous waste generated by producing a thousand kilometers of feeder cable and optical fiber cable was approximately 2.97 kg and 0.03 kg respectively. The non-hazardous waste, which was mainly domestic waste, amounted to approximately 18.8 tons. The average amount of non-hazardous waste generated by producing a thousand kilometers of feeder cable and optical fiber cable was approximately 56.36 kg and 0.58 kg respectively.

* Management makes assumption to calculate the average environmental damage per unit of major production volume. The environment damages were apportioned each major products based on revenue. Optical fiber cable has a wide range of product series, for example, a kilometer of an optical fiber cable with 16 fibers represents a cable with 16,000 optical fiber cable kilometers.

To reduce the impact of waste on the environment, the Group has continued to implement various measures with respect to waste management and emission reduction in strict compliance with laws and regulations, including the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》). We have classified waste generated from the production process by nature. For example: hazardous waste is handed over to qualified hazardous waste processing companies for safe disposal; daily domestic waste is collected by Yixing Environmental and Sanitation Management Office; and scraps generated from production processes such as copper scraps will be collected and delivered to the relevant companies for recycling and processing into raw materials, achieving waste recycling.

WASTEWATER DISCHARGE

No waste water is generated during our production process of the Group, and the domestic sewage from office and residential sources can be discharged from our production plant directly into the municipal pipeline network. To reduce the impacts of domestic sewage discharge on the environment, besides paying emission charges in accordance with the "Measures for the Administration of the Charging Rate for Pollutant Discharge Fees of the PRC", we also appoint third party testing organisations to monitor the water quality at the discharge outlet on an annual basis to ensure the discharged domestic sewage is in compliance with the requirements under the "Wastewater Quality Standards for Discharge to Municipal Sewers"(CJ343-2010). In addition, we have implemented rainwater-sewage separation system at our production plant and taken measures to reuse rainwater and cooling water, effectively reducing wastewater discharge.

EXHAUST EMISSIONS*

The Group emission policies include supply management, emission measurements, and emission control. The exhaust generated from the Group's business operations mainly included nitrogen oxides, sulfur oxides and particulate matters, which were primarily derived from automotive tailing gases. During the Year, the total emissions of nitrogen oxides, sulfur oxides and particulate matters were approximately 35.41 kg, 1.39 kg and 2.87 kg, respectively.

During the Year, the Group's total greenhouse gas emission was 8,521 tons, of which, approximately 437 tons, 7,934 tons and 150 tons were direct greenhouse gas emission (scope 1), indirect energy greenhouse gas emission (scope 2) and other indirect greenhouse gas emission (scope 3), respectively. The average greenhouse gas emission by producing a thousand kilometers of feeder cable and optical fiber cable was approximately 25.28 tons and 0.26 tons respectively.

During the Year, the Group was able to comply with the relevant laws and regulations in relation to the emission.

USE OF RESOURCES*

During the Year, the Group's total energy consumption was 12,358MWh, among which, direct energy was fuel and natural gas used by vehicles and cooking stoves respectively with a total consumption of 1,080MWh, and the average direct energy consumption by producing a thousand kilometers of feeder cable and optical fiber cable was approximately 3.2MWH and 0.03MWH respectively. The indirect energy was purchased power with a total consumption of 11,278MWh and the average direct energy consumption by producing a thousand kilometers of feeder cable and optical fiber cable was approximately 33.45MWH and 0.34MWH respectively.

* Management makes assumption to calculate the average environmental damage per unit of major production volume. The environment damages were apportioned each major products based on revenue. Optical fiber cable has a wide range of product series, for example, a kilometer of an optical fiber cable with 16 fibers represents a cable with 16,000 optical fiber cable kilometers.

The Group's total water consumption during the Year was 61,490 m^3 and the average water consumption by producing a thousand kilometers of feeder cable and optical fiber cable was approximately 182.39 m3 and 1.88 m3 respectively. During the Year, there is no issue in sourcing water that is fit for purpose.

The packaging materials used by the Group during the Year included wood and cartons. The total amount of wood used was 65,283 m^3 and a total of 461,351 cartons were used. Due to the variety of products, it is unlikely to calculate the amount of packaging material used per unit product.

ENERGY CONSERVATION, EMISSION REDUCTION AND ENVIRONMENTAL PROTECTION

To reduce resource consumption and exhaust emissions and improve the sustainability of productions and operations, the Group continued to implement management rules with respect to various energy conservation and emission reduction.

To improve the operating efficiency of vehicles and reduce exhaust emissions, the Group values vehicle maintenance and repair, and provides driving training for drivers. We evaluate the energy consumption of the equipment before purchase, and avoid equipment with low energy efficiency. We monitor the energy consumption of equipment after installation and commissioning operation, and will request suppliers to adjust the equipment if the requirements of energy consumption are not satisfied. Unsatisfying equipment will be returned as well. Furthermore, we also put forward energy-saving methods for equipment 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, the Group formulated conservation management requirements for daily energy and resource consumption by our employees during production processes. For example: electrical facilities at the production site such as safety fans should be turned off if not in use; the lighting system at our production plant are replaced from ordinary light bulbs into LED lights or low-power bulbs; 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 leave the office; use of electrical stoves and other heating facilities is prohibited if such use is not for production activities; 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 improve our employees' awareness to save paper, the Group has required our employees to use double-sided copying or printing and encouraged online distribution of documents to reduce printing. Specialised departments monitor and promote the importance of conservation and efficient utilisation of resources among our employees on a regular basis. In addition, we previously promoted the Group and our products by distributing paper pamphlets. To reduce the use of paper, we currently primarily attach posters on show windows and deliver electronic pamphlets about the Group to relevant personnel and customers.

In addition to optimising productions and operations, the Group has also vigorously accelerated the greening of the production plant. During the Year, the Group planted 455 new trees ranging from 1 meter to 5 meters, eliminating approximately 1.7 tons of greenhouse gas emissions. As at the end of the Year, the green area, wetland area and landscape lake area of 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 the Group's most important assets. The Group safeguards employees' legal rights in strict compliance with the relevant laws and regulations, including the "Labor Law of the PRC" and the "Labor Contract Law of the PRC". We continue to uphold the principles of openness, fairness and justice and respect and treat each employee equally in aspects of recruitment, promotion, remuneration and training. We provide considerable employee benefits and well-developed training systems, develop a career platform for our employees, and relay our caring messages for their safety and health.

As at 31 December 2017, the Group had a total of 904 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
255	28.2%	456	50.5%	126	13.9%	67	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
170	18.8%	236	26.1%	183	20.2%	108	12.0%	207	22.9%

TALENT RECRUITMENT

The Group actively absorbs talents from different regions and different backgrounds and qualifications to join the Group to form a diverse workforce and enhance its overall competitiveness. For vacancies, the Group prioritises internal recommendation. Our employees can attain job transfer and promotion through the in-house competition system and may apply for a job so long as he/she meets the requirements (such as professional level, work performance, attitude and experience) of the vacancies. To recruit talents externally, we adhere to the principle of fair appointment and meritocracy, strictly forbidding discrimination against ethnicity, sex, education, age, region, religious beliefs, or others in the recruitment process.

The Group continues to implement its staff recruitment and resignation management system to prevent any non-compliant incidents such as the employment of child labour or forced labour. For new employees who are recruited externally, the human resource department will verify the identification information submitted to confirm the legal working age requirement is met. After confirming the appointment, we will sign a labour contract with such new employee, which lists relevant working hours and duties. For employees who resign, the human resource department will arrange for exit interviews to understand the reason for his/her resignation and obtain advice for future improvement. During the Year, there was no employment of child labour or forced labour within the Group.

REMUNERATION AND BENEFITS

The Group implements the standard working hour system. Our employees work no more than 8 hours a day and there are three shifts in the production unit. We provide social insurance for our employees according to PRC national regulations. In addition to statutory holidays, employees may also be entitled to unpaid leave, shift leave, examination leave, injury leave, sick leave, maternity leave, nursing leave, breastfeeding leave, marriage leave, bereavement leave and paid annual leave under the "Regulations on Paid Annual Leave for Employees". In addition, the Group's female employees may be granted special caring and enjoy paid maternity leave for 128 days per year. 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 also leave for breastfeeding during each shift.

To enhance morale and work enthusiasm, the Group continues to offer incentives and job promotion to encourage and inspire our employees to have personal development, which will also create 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 determines 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 according to the assessment results.

The Group has set up a labour union to facilitate internal communications, timely understand and resolve our employees' issues at work and during their amateur hours. The management has set up mailbox and e-mail box to the general manager to broaden the channels of exchanges, so that they can learn about our employees' views by different means and continue to improve the working environment for them. Besides, we also provide leisure and cultural activities to our employees by organising literary contests, basketball teams, football teams and dance teams, tug of war and chess competitions, which further enhance their sense of happiness and belonging.

HEALTH AND SAFETY

Labour safety and health system

The Group regards its employees' health and safety as one of its top priorities for productions and operations and strives to safeguard a safe and hygienic workplace. The Group has obtained the Occupational Health and Safety Management System Certification and continued to implement various production safety measures in accordance with the "Work Safety Law of the PRC" and other related laws and regulations to prevent accidents.

Specialised machines and equipment for production purposes are only reserved for specialist operators approved by the Group. At work, our employees must comply with all safety and sanitation regulations and wear protective supplies as required and report timely to their superiors in case of unusual circumstances. We subject our employees to physical examination whenever necessary to ensure that their physical conditions meet position requirements. 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.

During the Year, there were no work-related accidents involving employee death within the Group. However, there were 7 work-related injuries and 197 working days were lost due to work-related injuries. For employees who suffer from work-related injuries, we provided them with the relevant treatment and subsidies according to the "Regulations on Work-Related Injury Insurances of the PRC" and the relevant laws and regulations. During the Year, the Group was able to comply with the relevant laws and regulations in relation to health, safety and labour standards.

Storage of chemicals

Chemicals are used during our production process. In view of the hazardous nature of the chemicals, we continue to implement management systems 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. To prevent accidents, employees are prohibited from using fire in the warehouse storing hazardous goods, lamps and electrical appliances need to be explosion-proof, and hazard labels should be posted on noticeable places of the warehouse as warning to our employees. The fire escapes of warehouses shall remain unblocked at all times and the fire-fighting equipment shall be in good condition so that our employees can take emergency measures in time if an accident occurs.

EMPLOYEE TRAINING

To improve employee quality and corporate competitiveness, the Group formulates training program each year based on the business development needs of the Group and the training needs of various departments. We offer induction training, on-the-job training, job-transfer training and special job training to our employees. The content of 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, including training or tuition fees, fees for books and materials, data fees, travel expenses, registration fees, technical fees and other expenses. Assessments will be conducted on our employees upon completion of the training to understand the training results and constantly improve our training system.

The Group has adopted a mentorship programme for our trainees, enabling such trainees to master the work or production skills and related safety knowledge within an agreed period of time. On-the-job training is provided after the trainees have taken up their positions to continuously improve their knowledge, skills and management standards as well as their knowledge about operating conditions and safety requirements of the Group. During the Year, the completion rate of our training was 95.5% and the participation rate was 100%.

PRODUCT LIABILITY

The Group's major customers are major telecommunications operators such as China Mobile, China Unicom, China Telecom and China Tower, as well as major equipment manufacturers such as ZTE and Huawei and overseas customers. Due to its professional and rigorous management attitude and persistence and pursuit of superior quality and first-rate services, the Group has been able to meet the different needs of customers and establish close and stable partnership with them.

SUPPLY CHAIN MANAGEMENT

The Group understands that strict screening and management of suppliers is an important prerequisite to producing and providing premier products for customers. In addition to customers' designated suppliers, we mainly select suppliers through tenders and continue to implement corresponding procedures to reduce the operating risks caused by unqualified suppliers.

The Group invites at least two suppliers to public tender for all types of raw materials or production supplies. Besides the location of the suppliers, we also consider major 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, business licenses, certificates of the bidders and information on quality and technical standards first before such suppliers are invited for bidding. Suppliers are required to fill in the questionnaire for us to understand their background. We conduct on-site inspections, when necessary, and sample checks and tests before the bidding to ensure their authenticity.

The Group's procurement department collects monthly information on quality and delivery updates of each kind of raw materials and other necessary production supplies, and arranges production, technology, quality and purchasing and other departments to make integrated appraisal on the major suppliers annually, so as to rule out those unqualified suppliers, follow up on rectifications and update or replace qualified suppliers list. When raw materials and other necessary production supplies are brought to the production plant, suppliers are required to provide quality certification documents, while our inspectors will inspect the raw materials purchased from the suppliers and pass those qualified ones to our warehouse for storage. Unqualified products will be returned to the relevant suppliers.

During the Year, the Group has engaged 106 suppliers in total, including 103 mainland suppliers (of which 77 suppliers are from Jiangsu Province and 26 suppliers are from other provinces and cities) and 3 overseas suppliers.

QUALITY ASSURANCE

The Group has obtained quality control system certifications for our products. To improve production efficiency and minimise product quality issues, we actively invest in purchasing new and advanced manufacturing equipment, the majority of which are imported from such countries as Austria, Germany, Japan and the United States. In addition, we also procure advanced inspection and testing apparatuses from overseas suppliers to provide reliable support for the inspection of our production supplies and products.

The Group adopts standardised quality management systems in all production processes, finished product inspections and services. Our professional quality management team for the quality management and control of each kind of products to ensure all relevant standards are met. In addition, we require necessary anti-dust, anti-moisture, anti-fire and anti-explosion measures and other protective measures to be taken to ensure the quality and safety of our supplies.

Meanwhile, the Group constantly strives to innovate and develop new products to satisfy different market demands and network upgrading business of our customers. Our research and development team comprises nearly 100 professional technicians, most of which hold bachelor's degree or above, and have accumulated years of experience and expertise in China's cable industry.

We have also set up an Engineering and Technology Center to develop products such as broadband green RF cables and high-rate special optical cables for IoT systems. As at 31 December 2017, the Group has obtained 98 patents and developed 107 new products, among which, 45 products are granted the Advanced Technology Product Certificate by the Science and Technology Department of Jiangsu Province. The Group has also obtained a number of honors such as "Advanced Enterprise in Technological Innovation" and "Excellent Enterprise — Leader and Driver". Our innovation and research and development results have been recognised by the industry, our partners and local government.

During the Year, the Group's products were able to meet the relevant standards and customer requirements and there were no products recalled by the Group due to safety issues.

CUSTOMER SERVICE AND PRODUCT PROMOTION

Maximising customer satisfaction is the basic criterion for the Group's customer service. On the one hand, we have set up an all-weather service hotline to provide our customers with all-round professional services including technical training, system design, engineering supervision, operation and maintenance, to achieve excellence in all aspects and earn our customer's long-term trust. On the other hand, we provide a three-year warranty and a lifetime repair service for all products, and repair or replace damages and malfunction caused by product quality issues for free. The Group is convinced that customer feedback is the key to our continued progress. In this regard, we have set up a special department to collect views and complaints from our customers and strive to listen to each of them. We reply to any complaint within 4 hours after receiving such complaint and provide a solution within 24 hours, including technical engineers to be dispatched to sites for resolving issues. During the Year, the Group did not receive any complaints about our products and services.

The Group mainly promotes and markets products by participating in domestic and international exhibitions to attract customers and exchange ideas. We strictly comply with the relevant laws including the Advertising Law of the PRC and the Trademark Law of the PRC. All products and business information shall be subject to strict scrutiny before being disclosed, and any misleading behavior or false information is prohibited in the promotion, marketing and exhibition process.

INTELLECTUAL PROPERTY RIGHTS AND PRIVACY PROTECTION

The Group continues to comply with the relevant laws and regulations including the Patent 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 over the course of our productions and operations. We reinforce our management of the intellectual property rights and patents in accordance with the Measures to Manage Intellectual Property Rights and the Patent Management Measures as well as internal rules.

The Group also attaches great importance to protecting privacy of our customers, and employees are not allowed to disclose confidential information of the Group and our customers to any third parties 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, whereby expressly defining their confidentiality obligations and liability for breach of contract.

ANTI-CORRUPTION

The Group is committed to creating a fair and honest, open and transparent, standardised and efficient internal management atmosphere. Our employees, in particular our management, are required to regard honesty, trustworthiness and integrity as the most basic code of conduct. We continuously update the relevant policies and internal management system for preventing corruption and bribery in accordance with the laws and regulations, including the Criminal Law of the PRC and the Law of the PRC on Anti-Money Laundering, thereby strengthening our employees' awareness of anti-corruption and regulating their behavior. We also signed an integrity self-discipline commitment with the group leader or above level.

In addition, the Group values anti-corruption work in procurement and other aspects. We signed a sunshine agreement with our selected suppliers to protect the interests of both parties. We supervise all employees and suppliers during procurement. Any employee who finds any violation of the relevant system may report it through mail box, email box and other channels to the general manager. To encourage internal mutual supervision, the identity of the whistleblowers and the information reported are kept absolutely confidential, and those who submit validated reports will be granted rewards.

During the Year, the Group has complied with various laws and regulations and there were no non-compliances, including bribery, extortion, fraud and money-laundering.

CHARITY AND PUBLIC WELFARE

While pursuing its own development, the Group also devotes itself to social charity and public welfare, assisting people in need and giving back to the society and people. For many years, we have delivered the sincerest care to senior citizens by donating money and supplies to nursing homes. We also contributed to creating happy homes for community residents through community involvement, such as donation for charitable events, establishment of scholarship in key middle schools, actively responding to government calls to organise flood relief, establishment of volunteer teams to participate in urban civilisation activities.

During the Year, we made donations to assist the poor and vulnerable groups, further fulfilling our social responsibilities and promoting harmony and prosperity of enterprises and communities.

The board ("Board") of directors ("Directors") of the Company hereby presents this 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 2017.

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, optical fibre cable series, flame-retardant flexible 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 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 and management of the Group as the responsible parties of risks management.

The Group's management conducts corporate risk assessment on a regular basis, 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 reviews 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 business relationship with customers other than the three major 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 is 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 invite 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 constantly 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 are granted credit 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 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.	• Under 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) is 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 has been in a steady growth but it is affected by complex and ever-changing external factors 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 2017, the Group was in strict compliance with these said laws and regulations.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 57 of this annual report.

An interim dividend of HK1.7 cents per share amounting to HK$30,455,000 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 2017. The Board recommended the payment of a final dividend of HK2.1 cents per share for the year ended 31 December 2017 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 2017 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 2017 are set out in note 28 of the Notes to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to Shareholders amounted to approximately RMB1,558.9 million.

DONATION

The Group made charitable donations totalling approximately RMB180,000 during the year ended 31 December 2017.

DIRECTORS

The Directors during the year ended 31 December 2017 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 *(resigned on 22 August 2017)*
Ms. Jia Lina

Alternate Director to Mr. Qian Lirong
Mr. Qian Chenhui

In accordance with articles 84(1) and 84(2) of the articles of association of the Company, each of Mr. Jiang Wei and Professor Jin Xiaofeng 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 2018.

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 2017, 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 2017 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 reviews and makes recommendations to the Board on terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management with reference to the market data. Details of the remuneration of the Directors for the year ended 31 December 2017 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 9 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 at least three independent non-executive Directors throughout the year ended 31 December 2017. The Board considers that all the 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/her 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 2017, 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:

Name of Director	Nature of interest	Interest in ordinary shares	Interest in underlying shares	Total of shares and underlying shares	Approximate percentage of interest *(Note e)*
Mr. Qian Lirong	Interest in controlled corporation	516,531,750 *(Note a)*	–	516,531,750	28.83%
	Interest in controlled corporation	250,000 *(Note b)*	–	250,000	0.01%
	Beneficial owner	6,740,000	–	6,740,000	0.38%
Mr. Jiang Wei	Beneficial owner	60,000	1,600,000 *(Note c)*	1,660,000	0.09%
Professor Jin Xiaofeng	Beneficial owner	–	320,000 *(Note c)*	320,000	0.02%
Mr. Poon Yick Pang Philip	Beneficial owner	–	320,000 *(Note c)*	320,000	0.02%
Ms. Jia Lina	Beneficial owner	–	320,000 *(Note c)*	320,000	0.02%
Mr. Qian Chenhui	Beneficial owner	–	960,000 *(Note c)*	960,000	0.05%

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 and Abraholme. 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.

(d) These interests are long position.

(e) The total number of 1,791,500,000 shares of the Company in issue as at 31 December 2017 has been used for the calculation of the approximate percentage.

Save as disclosed above, as at 31 December 2017, 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 2017, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 56.9% (2016: 47.8%) and 94.6% (2016: 67.5%) of the Group's total purchases, respectively.

For the year ended 31 December 2017, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 41.6% (2016: 39.7%) and 95.1% (2016: 95.6%) of the Group's total turnover, respectively.

At all time during the year ended 31 December 2017, none of the Directors or any of their close 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.

The Group maintains good relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Company's success depends.

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 29 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 2017, 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 2017.

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 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2017, 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 2017, 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.

SHARES ISSUED

On 30 March 2017, Trigiant Holdings Limited ("Trigiant Holdings")(a wholly-owned subsidiary of the Company) as purchaser, Easy Beauty Limited ("Easy Beauty") as vendor and Mr. Zhu Xujin, Mr. Shao Yijun and Mr. Zhao Ting as warrantors entered into a sale and purchase agreement pursuant to which Trigiant Holdings conditionally agreed to purchase and Easy Beauty conditionally agreed to sell 112 shares of Jiang Mei Limited ("Jiang Mei"), representing 40% of the issued share capital of Jiang Mei at the consideration of RMB377,434,849 ("Jiang Mei Acquisition"). The consideration would be settled as to RMB140,095,440 in cash and as to RMB237,339,409 by the allotment and issue, credited as fully paid, of 228,000,000 new ordinary shares of the Company to Easy Beauty at completion. Completion of the Jiang Mei Acquisition took place in June 2017 and 228,000,000 new ordinary shares of the Company were allotted to Easy Beauty, credited as fully paid. Further details of the Jiang Mei Acquisition are disclosed in "Management Discussion and Analysis" of this annual report which form part of this director's report.

EQUITY-LINKED AGREEMENTS

During the year ended 31 December 2017, the Group has entered into the sale and purchase agreement for the Jiang Mei Acquisition and the Share Option Scheme has subsisted. Further details of the Share Option Scheme and the share options granted are disclosed in note 29 of the Notes to the consolidated financial statements in this annual report while further details of the Jiang Mei Acquisition are disclosed in "Management Discussion and Analysis" of this annual report which form part of this directors' report.

FINAL DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK2.1 cents per share for the year ended 31 December 2017 (2016: HK1.6 cents) to the shareholders whose names appear on the register of members of the Company on 6 July 2018. Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company, the final dividend is expected to be payable on or about 27 July 2018.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, 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	516,531,750	28.83%
Abraholme	Beneficial owner	250,000	0.01%
	Interest in controlled corporation	516,531,750 *(Note a)*	28.83%
Madam Qian Jundi	Interest of spouse	523,521,750 *(Note b)*	29.22%
Eternal Asia (HK) Limited	Beneficial owner	292,876,000 *(Note c)*	16.35%
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	292,876,000 *(Note c)*	16.35%
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	292,876,000 *(Note c)*	16.35%
Mr. Zhou Guohui	Interest in controlled corporation	292,876,000 *(Note c)*	16.35%
People's Bank of China	Interest in controlled corporation	261,000,000 *(Note d)*	14.57%
Easy Beauty Limited	Beneficial owner	428,000,000 *(Note e)*	23.89%
Mr. Zhu Xujun	Interest in controlled corporation	428,000,000 *(Note e)*	23.89%

Notes:

(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 9 June 2017 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 36.22% 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 dated 9 June 2017 of Easy Beauty Limited and Mr. Zhu Xujun each filed with the Stock Exchange, 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 2017, 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 2017 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 2017, the net proceeds from the IPO had 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 2017, 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 2017. 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, 26 March 2018

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 57 to 117, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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 matter	How our audit addressed the key audit matter
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 in 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 RMB3,126,593,000 (net of allowance for bad and doubtful debts of RMB287,126,000) at 31 December 2017.	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 is allocated and its carrying amount at the end of the reporting period or more frequently when there is an indication that the unit may be impaired. 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 2017. During the year ended 31 December 2017, 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 Au Mei Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** **RMB'000**	2016 RMB'000
Turnover	*5*	**3,200,807**	2,920,995
Cost of goods sold		**(2,573,186)**	(2,308,791)
Gross profit		**627,621**	612,204
Other income	*6*	**26,630**	28,659
Other gains and losses	*7*	**(83,139)**	(148,849)
Selling and distribution costs		**(54,698)**	(60,663)
Administrative expenses		**(52,748)**	(56,568)
Research and development costs		**(55,839)**	(51,448)
Fair value change of warrants		**–**	7,604
Finance costs	*8*	**(56,543)**	(59,804)
Profit before taxation	*9*	**351,284**	271,135
Taxation	*11*	**(59,271)**	(49,191)
Profit and total comprehensive income for the year		**292,013**	221,944
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**277,143**	192,608
Non-controlling interests		**14,870**	29,336
		292,013	221,944
Earnings per share	*13*		
— Basic		**RMB16.38 cents**	RMB12.32 cents
— Diluted		**RMB16.38 cents**	RMB12.32 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Investment properties	*14*	**7,600**	6,900
Property, plant and equipment	*15*	**262,428**	293,834
Land use rights	*16*	**71,602**	73,722
Intangible asset	*17*	**84,702**	96,803
Goodwill	*18*	**41,773**	41,773
Available-for-sale investments	*19*	**7,325**	7,325
Deferred tax assets	*27*	**43,725**	30,355
		519,155	550,712
Current assets			
Inventories	*20*	**108,547**	124,928
Trade and other receivables	*21*	**3,257,251**	2,932,670
Other financial assets	*22*	**150,000**	150,000
Pledged bank deposits	*23*	**337,939**	476,338
Bank balances and cash	*23*	**455,268**	457,193
		4,309,005	4,141,129
Current liabilities			
Trade and other payables	*24*	**345,586**	492,120
Bank borrowings — due within one year	*25*	**1,466,667**	1,292,956
Taxation payable		**40,695**	40,315
		1,852,948	1,825,391
Net current assets		**2,456,057**	2,315,738
Total assets less current liabilities		**2,975,212**	2,866,450
Non-current liabilities			
Government grants	*26*	**3,571**	4,307
Deferred tax liabilities	*27*	**48,973**	46,582
		52,544	50,889
Net assets		**2,922,668**	2,815,561

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	*28*	**14,638**	12,651
Reserves		**2,908,030**	2,641,327
Equity attributable to owners of the Company		**2,922,668**	2,653,978
Non-controlling interests		**–**	161,583
Total equity		**2,922,668**	2,815,561

The consolidated financial statements on pages 57 to 117 were approved and authorised for issue by the Board of Directors on 26 March 2018 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 2017

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Statutory surplus reserve fund RMB'000 *(Note a)*	Special reserve RMB'000 *(Note b)*	Other reserve RMB'000	Property revaluation reserve RMB'000	Share option reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	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 29)*	–	–	–	–	–	–	–	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
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**277,143**	**277,143**	**14,870**	**292,013**
Acquisition of additional interests in a subsidiary *(note 28)*	**1,987**	**230,553**	**–**	**–**	**–**	**(312,858)**	**–**	**–**	**119,039**	**38,721**	**(176,453)**	**(137,732)**
Recognition of equity-settled share-based payment *(note 29)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,977**	**–**	**3,977**	**–**	**3,977**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,019)**	**6,019**	**–**	**–**	**–**
Dividends recognised as distribution *(note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,151)**	**(51,151)**	**–**	**(51,151)**
Transfer	**–**	**–**	**–**	**49,440**	**–**	**–**	**–**	**–**	**(49,440)**	**–**	**–**	**–**
At 31 December 2017	**14,638**	**1,509,764**	**101**	**362,249**	**62,947**	**(312,834)**	**622**	**19,352**	**1,265,829**	**2,922,668**	**–**	**2,922,668**

Notes:

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Operating activities		
Profit before taxation	**351,284**	271,135
Adjustments for:		
Interest income	**(14,958)**	(10,989)
Investment income from other financial assets	**(3,022)**	(5,358)
Finance costs	**56,543**	59,804
Depreciation of property, plant and equipment	**32,637**	30,271
Operating lease rentals in respect of land use rights	**2,120**	2,120
Amortisation of intangible asset	**12,101**	12,101
Allowance for bad and doubtful debts	**89,135**	135,272
Loss (gain) on disposal of property, plant and equipment	**2**	(64)
Government grants	**(736)**	(736)
Fair value changes of investment properties	**(700)**	–
Exchange (gain) loss	**(5,296)**	13,328
Expense recognised in respect of equity-settled share-based payment	**3,977**	6,200
Fair value change of warrants	**–**	(7,604)
Loss on redemption of warrants	**–**	249
Operating cash flows before movements in working capital	**523,087**	505,729
Decrease (increase) in inventories	**16,381**	(29,242)
Increase in trade and other receivables	**(417,917)**	(14,394)
(Decrease) increase in trade and other payables	**(146,269)**	72,658
Cash (used in) generated from operations	**(24,718)**	534,751
PRC Enterprise Income Tax paid	**(69,870)**	(62,277)
Net cash (used in) from operating activities	**(94,588)**	472,474
Investing activities		
Release of pledged bank deposits	**1,514,665**	2,168,459
Redemption of other financial assets	**150,000**	117,000
Interest received	**14,917**	13,261
Investment income received	**3,022**	5,358
Proceeds from disposal of property, plant and equipment	**91**	343
New pledged bank deposits placed	**(1,376,266)**	(2,103,369)
Purchase of other financial assets	**(150,000)**	(267,000)
Purchase of property, plant and equipment	**(2,529)**	(38,545)
Investment in an available-for-sale investment	**–**	(950)
Receipt of government grants	**–**	3,970
Net cash from (used in) investing activities	**153,900**	(101,473)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
Financing activities		
Repayment of bank borrowings	**(1,278,527)**	(1,730,978)
Acquisition of additional interests in a subsidiary	**(137,732)**	–
Interest paid	**(55,603)**	(61,076)
Dividends paid	**(51,151)**	(63,648)
New bank borrowings raised	**1,461,776**	1,708,589
Redemption of warrants	**–**	(520)
Net cash used in financing activities	**(61,237)**	(147,633)
Net (decrease) increase in cash and cash equivalents	**(1,925)**	223,368
Cash and cash equivalents at beginning of the year	**457,193**	233,825
Cash and cash equivalents at end of the year, represented by bank balances and cash	**455,268**	457,193

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). 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 others for mobile communications and telecommunication equipment.

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

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

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 HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 32. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 32, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC)–Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC)–Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
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 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[2]

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 2021.

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

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 financial assets are measured at their fair value at 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.

- 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 19; these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of HKFRS 9, any fair value gain relating to these securities would be adjusted to investments revaluation reserve as at 1 January 2018;

All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

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

HKFRS 9 "Financial instruments" (continued)

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables, pledged bank deposits and bank balances and cash. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits and increase the deferred tax assets at 1 January 2018.

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.

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

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

The directors of the Company have assessed that the after-sale warranties, technical support and training services represent separate performance obligations from the sales of different kinds of cable series and related products and accordingly, revenue will be recognised for each of these performance obligations when control over the corresponding services is transferred to the customers. The timing of revenue recognition of each of these performance obligations (at a point in time for sale of goods when the goods are delivered to the customers and over the period the relevant services are performed), except for after-sale warranties which are considered as a service-typed warranty and the revenue will be deferred until the services are performed, are expected to be consistent with current practice. HKFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis and the allocation of revenue among the above separate performance obligations may be different compared to that under the current practice. The directors of the Company are in the process of quantifying the detailed financial impact to the consolidated financial statements.

In addition, the directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures.

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.

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 land use rights 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. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset for land use rights 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.

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

HKFRS 16 "Leases" (continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB660,000 as disclosed in note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of RMB298,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for the investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

For financial instruments and investment properties which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the 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 relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that 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 unit (or group of CGUs) 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 goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group 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 group of CGUs).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 apportionment 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.

The Group's accounting policy for the recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and 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 for the period in which they arise.

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 its 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 recognised in profit or loss.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and 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 with finite useful lives are reported at cost less accumulated amortisation and any 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

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interests in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model.

The up-front payments to acquire interest in leasehold 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.

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 is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs 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 on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the 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 relevant 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 asset individually, 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.

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 (or a cash-generating unit) 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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 or financial liabilities at fair value through profit or loss ("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, financial assets at FVTPL and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 instruments.

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, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FVTPL.

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses line item.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 financial assets have been affected.

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

For all other financial assets, objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period granted, 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 the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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 as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

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 profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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.

For the purposes of measuring deferred tax 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.

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 current and deferred tax are 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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 period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred 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/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payment to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payment determined at the grant date without taking into consideration all non-market vesting conditions 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 (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. 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 the 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. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The 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.

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.

The carrying amount of trade receivables at 31 December 2017 is RMB3,126,593,000 (2016: RMB2,896,818,000) (net of allowance for bad and doubtful debts of RMB287,126,000 (2016: RMB197,991,000)).

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 is allocated and its carrying amount at the end of each reporting period or more frequently when there is an indication that the unit may be impaired. The value in use calculation requires the 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.

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 at 31 December 2017 (2016: RMB41,773,000). No impairment loss is recognised on the goodwill during both years 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 2017, the carrying amount of inventories is RMB108,547,000 (2016: RMB124,928,000).

Recoverable amount of intangible asset

The management reconsidered the recoverability of intangible asset arising on acquisition of subsidiaries. The carrying amount included in the consolidated statement of financial position is RMB84,702,000 (2016: RMB96,803,000) 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, taking 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 will be 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 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 values 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 is disclosed in note 14.

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
- Others (including splitters, couplers and combiners)

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

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of goods sold). Other income, other gains and losses, selling and distribution costs, administrative expenses, research and development costs, fair value change of warrants, 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.

5. TURNOVER AND SEGMENT INFORMATION (continued)

The information of segment results is as follows:

For the year ended 31 December 2017

	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	Others RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Turnover							
— External sales	**1,623,526**	**974,544**	**514,281**	**78,418**	**10,038**	**–**	**3,200,807**
— Inter-segment sales*	**–**	**186,159**	**–**	**–**	**–**	**(186,159)**	**–**
	1,623,526	**1,160,703**	**514,281**	**78,418**	**10,038**	**(186,159)**	**3,200,807**
Cost of goods sold	**(1,282,165)**	**(976,795)**	**(424,391)**	**(66,388)**	**(9,606)**	**186,159**	**(2,573,186)**
Segment result	**341,361**	**183,908**	**89,890**	**12,030**	**432**	**–**	**627,621**

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	Others 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

* Inter-segment sales are entered into in accordance with the relevant agreements, if any, governing those transactions, in which the pricing was determined with reference to the cost incurred.

5. TURNOVER AND SEGMENT INFORMATION (continued)

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

	2017 RMB'000	2016 RMB'000
Reportable segment results	**627,621**	612,204
Unallocated income and expenses		
— Other income	**26,630**	28,659
— Other gains and losses	**(83,139)**	(148,849)
— Selling and distribution costs	**(54,698)**	(60,663)
— Administrative expenses	**(52,748)**	(56,568)
— Research and development costs	**(55,839)**	(51,448)
— Fair value change of warrants	**–**	7,604
— Finance costs	**(56,543)**	(59,804)
Profit before taxation	**351,284**	271,135
Taxation	**(59,271)**	(49,191)
Profit for the year	**292,013**	221,944

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 is as follows:

	2017 RMB'000	2016 RMB'000
Customer A	**1,331,396**	1,159,258
Customer B	**1,151,678**	942,678
Customer C	**470,703**	542,235

The three major customers purchased goods from all segments during both years.

6. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Government grants *(note)*	**5,727**	10,145
Interest income	**14,958**	10,989
Investment income from other financial assets	**3,022**	5,358
Rental income	**400**	400
Others	**2,523**	1,767
	26,630	28,659

Note: As at 31 December 2017, included in government grants is RMB4,991,000 (2016: RMB9,409,000) 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 RMB736,000 (2016: RMB736,000), they are government subsidies received for the acquisition of property, plant and equipment as disclosed in note 26.

7. OTHER GAINS AND LOSSES

	2017 RMB'000	2016 RMB'000
Allowance for bad and doubtful debts *(note 21)*	**(89,135)**	(135,272)
Exchange gain (loss)	**5,296**	(13,328)
Gain on fair value changes of investment properties	**700**	–
Loss on redemption of warrants	**–**	(249)
	(83,139)	(148,849)

8. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest on bank borrowings	**56,543**	59,804

9. PROFIT BEFORE TAXATION

	2017 **RMB'000**	2016 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 10)*	**2,601**	2,786
Other staff costs:		
Salaries and other benefits	**70,481**	77,600
Retirement benefit schemes contributions	**6,547**	8,155
Share-based payment	**3,793**	5,901
Total staff costs	**83,422**	94,442
Auditor's remuneration	**1,921**	1,923
Amortisation of intangible asset	**12,101**	12,101
Cost of inventories recognised as expenses	**2,558,808**	2,296,259
Depreciation of property, plant and equipment	**32,637**	30,271
Operating lease payment in respect of warehouses and office premises	**1,575**	1,398
Operating lease rentals in respect of land use rights	**2,120**	2,120
Loss on disposal of property, plant and equipment	**2**	–
and after crediting:		
Gain on disposal of property, plant and equipment	**–**	64
Gross rental income from investment properties (net of negligible 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 2017

	Executive directors		Non-executive director	Independent non-executive directors				
	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 *(note c)*	Ms. Jia Lina RMB'000	Total RMB'000
Directors' fee	–	–	104	78	182	111	78	553
Basic salaries and allowances	1,006	832	–	–	–	–	–	1,838
Retirement benefit schemes contributions	13	13	–	–	–	–	–	26
Share-based payment	–	106	–	21	21	15	21	184
	1,019	951	104	99	203	126	99	2,601

For the year ended 31 December 2016

	Executive directors		Non-executive director	Independent non-executive directors				
	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 *(note c)*	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 benefit schemes contributions	12	12	–	–	–	–	–	24
Share-based payment	–	167	–	33	33	33	33	299
	1,022	1,016	104	111	215	207	111	2,786

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

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 group 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) Mr. Ng Wai Hung has resigned as an independent non-executive director of the Company with effect from 22 August 2017.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive director and independent non-executive directors shown above were paid for their services as directors of the Company.

Of the five highest paid individuals of the Group, two (2016: two) were the directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining three (2016: three) individuals were as follows:

	2017 RMB'000	2016 RMB'000
Basic salaries and allowances	**2,038**	2,777
Retirement benefit schemes contributions	**298**	40
Share-based payment	**40**	467
	2,376	3,284

Their emoluments were within the following bands:

	2017 No. of employees	2016 No. of employees
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**–**	1

During the year ended 31 December 2017, 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 (2016: nil). None of the directors of the Company has waived any emoluments during both years.

11. TAXATION

	2017 RMB'000	2016 RMB'000
The charge (credit) comprises:		
PRC Enterprise Income Tax	**70,250**	63,148
Deferred taxation credit *(note 27)*	**(10,979)**	(13,957)
Taxation for the year	**59,271**	49,191

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 approval published on the website of the Yixing Provincial Commission of Science and Technology, the principal subsidiaries of the Company in the PRC were endorsed as High and New Technology Enterprises on 4 March 2009 (renewed on 6 July 2015) and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2018.

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:

	2017 RMB'000	2016 RMB'000
Profit before taxation	**351,284**	271,135
Tax at the applicable income tax rate of 25%	**87,821**	67,784
Tax effect on income not taxable for tax purpose	**(418)**	(2,501)
Tax effect on expenses not deductible for tax purpose	**6,110**	8,679
Tax effect of tax concession	**(38,557)**	(27,548)
Withholding tax on undistributed earnings	**5,420**	3,922
Others	**(1,105)**	(1,145)
Taxation for the year	**59,271**	49,191

12. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution during the year:		
2017 interim–HK1.7 cents (2016: HK1.2 cents) per share	**26,350**	16,250
2016 final–HK1.6 cents (2015: HK3.5 cents) per share	**24,801**	47,398
	51,151	63,648

Subsequent to the end of the reporting period, a final dividend of HK2.1 cents per share in respect of the year ended 31 December 2017 (2016: HK1.6 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:

	2017 RMB'000	2016 RMB'000
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic and diluted earnings per share	**277,143**	192,608

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,692,179**	1,563,500

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 shares during the relevant years.

14. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
AT FAIR VALUE		
At 1 January	**6,900**	6,900
Changes in fair value recognised in profit or loss	**700**	–
At 31 December	**7,600**	6,900

The Group's investment properties were situated at No.1 Junzhi Road, Yixing, Jiangsu Province, the PRC under medium-term leases.

The fair value of the Group's investment properties at 31 December 2017 have been arrived at on the basis of a valuation carried out at those dates by Asset Appraisal Limited (2016: Savills Valuation and Professional Services Limited), independent firms of qualified professional property valuers not connected with the Group.

At 31 December 2017, the valuation was arrived at based on direct comparison approach. The direct comparison approach assumes sale of property interest in its existing state by reference to market evidence of transaction prices for similar properties and income method is also considered in the valuation on the basis of capitalisation of net income based on a schedule provided by the management of the Group with due allowance of reversionary income potential of the property.

At 31 December 2016, the valuation was arrived at based on income method on the basis of capitalisation of net income based on a schedule provided by the management of the Group with due allowance for reversionary income potential of the property and where appropriate, also considered direct comparison approach by making reference to the comparable market transactions as available in the market.

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

14. INVESTMENT PROPERTIES (continued)

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

Carrying value of investment properties	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2017				
Industrial properties in the PRC RMB7,600,000	Level 3	The key input is: (1) Market unit selling price of individual unit.	Market unit selling price, using direct market comparables and taking into account of location and other individual factors such as size of property and facilities, of RMB1,900/square metre.	The higher the market unit selling price, the higher the fair value.
At 31 December 2016				
Industrial properties in the PRC 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%.	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%.	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.	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 2016	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
Additions	–	36	33	54	1,201	1,324
Transfer	4,973	115	510	–	(5,598)	–
Disposals	(8)	–	(144)	(62)	–	(214)
At 31 December 2017	**191,288**	**228,161**	**9,290**	**8,681**	**222**	**437,642**
DEPRECIATION						
At 1 January 2016	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 disposals	–	(4)	–	(932)	–	(936)
At 31 December 2016	35,621	95,403	5,489	6,185	–	142,698
Provided for the year	8,861	22,198	711	867	–	32,637
Eliminated on disposals	–	–	(71)	(50)	–	(121)
At 31 December 2017	**44,482**	**117,601**	**6,129**	**7,002**	**–**	**175,214**
CARRYING VALUES						
At 31 December 2017	**146,806**	**110,560**	**3,161**	**1,679**	**222**	**262,428**
At 31 December 2016	150,702	132,607	3,402	2,504	4,619	293,834

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

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

	2017 RMB'000	2016 RMB'000
CARRYING AMOUNT		
At beginning of the year	**75,842**	77,962
Charged to profit or loss for the year	**(2,120)**	(2,120)
At the end of the year	**73,722**	75,842
Analysed for reporting purposes as:		
Non-current portion	**71,602**	73,722
Current portion *(note 21)*	**2,120**	2,120
	73,722	75,842

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 2016, 31 December 2016 and 31 December 2017	121,005
AMORTISATION	
At 1 January 2016	12,101
Provided for the year	12,101
At 31 December 2016	24,202
Provided for the year	12,101
At 31 December 2017	36,303
CARRYING VALUES	
At 31 December 2017	84,702
At 31 December 2016	96,803

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

	2017 RMB'000	2016 RMB'000
At cost, arising on acquisition of subsidiaries	**41,773**	41,773

For the purpose of impairment test, goodwill of RMB41,773,000 has been allocated to the CGU of Jiang Mei Limited ("Jiang Mei") which is related to the segment of "Optical fibre cable series and related products".

At 31 December 2017, 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 (2016: 5 years) and a discount rate of 15.6% (2016: 15.8%). The CGU's cash flows beyond the 5-year period are extrapolated using a steady 3% (2016: 3%) growth rate per annum. 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. Such estimation is based on the CGU's past performance and available industry and market information. 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

	2017 RMB'000	2016 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**	950
	7,325	7,325

At 31 December 2017, the above unlisted equity investments represent 12.5% (2016: 12.5%) and 19% (2016: 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

	2017 RMB'000	2016 RMB'000
Raw materials	**47,258**	33,292
Work in progress	**18,284**	20,624
Finished goods	**43,005**	71,012
	108,547	124,928

21. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables, net	**3,126,593**	2,896,818
Bills receivables	**26,107**	18,333
	3,152,700	2,915,151
Current portion of land use rights *(note 16)*	**2,120**	2,120
Interest receivable	**5,507**	5,466
Other receivables *(note)*	**85,485**	5,801
Deposits paid to suppliers	**5,000**	–
Prepaid expenses	**4,171**	597
Staff advances	**2,268**	3,535
	3,257,251	2,932,670

Note: At 31 December 2017, other receivables mainly include receivables relating to resale of copper materials of RMB81,216,000 (2016: RMB2,389,000).

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 bills 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:

	2017 RMB'000	2016 RMB'000
Age		
0–90 days	**852,252**	795,267
91–180 days	**545,503**	613,879
181–365 days	**892,916**	756,838
Over 365 days	**862,029**	749,167
	3,152,700	2,915,151

21. TRADE AND OTHER RECEIVABLES (continued)

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due or impaired to be of a good quality because they are within the credit period granted and the Group's management considers the default rate is low for such receivables based on historical information and experience.

At 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,266,655,000 (2016: RMB1,169,950,000), 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 balances.

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

	2017 **RMB'000**	2016 RMB'000
Age		
181–365 days	**404,626**	420,783
Over 365 days	**862,029**	749,167
	1,266,655	1,169,950

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.

Movement in the allowance for bad and doubtful debts:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**197,991**	62,719
Allowance for the year	**89,135**	135,272
At 31 December	**287,126**	197,991

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

	2017 **RMB'000**	2016 RMB'000
United States Dollars	**13,421**	7,033

22. OTHER FINANCIAL ASSETS

At 31 December 2017, the Group's other financial assets represent financial products issued by banks (2016: a financial institution), with maturity of 6 to 12 months (2016: 6 to 12 months) and expected returns ranging from 5.1% to 5.2% (2016: 4.8% to 6.0%) per annum. The investments in financial products are classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to the carrying amount as at 31 December 2017 because of their short maturities.

23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

At 31 December 2017, the pledged bank deposits carry interest at the prevailing market rate ranging from approximately 1.5% to 6.0% (2016: 1.3% to 6.0%) per annum.

At 31 December 2017, 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, the pledged bank deposits represented deposits pledged to banks to secure bank borrowings, bills payables and letters of credit issued by the Group.

At 31 December 2017, bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at prevailing market rate ranging from 0.01% to 0.35% (2016: 0.01% to 0.35%) 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:

	2017	2016
	RMB'000	RMB'000
Hong Kong Dollars	**2,245**	5,772
United States Dollars	**21,642**	19,063
Euro Dollars	**–**	2,096

24. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	RMB'000
Trade payables	**128,297**	133,365
Bills payables	**153,036**	294,462
	281,333	427,827
Accrued expenses	**10,522**	8,560
Deposits from suppliers	**13,025**	12,303
Other payables	**8,074**	10,650
Other tax payables	**10,965**	9,987
Payable for acquisition of property, plant and equipment	**1,488**	2,693
Payroll and welfare payables	**20,179**	20,100
	345,586	492,120

24. TRADE AND OTHER PAYABLES (continued)

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

	2017 **RMB'000**	2016 RMB'000
Age		
0–90 days	**278,173**	294,599
91–180 days	**3,157**	51,591
181–365 days	**3**	81,637
	281,333	427,827

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:

	2017 **RMB'000**	2016 RMB'000
Hong Kong Dollars	**279**	96

25. BANK BORROWINGS — DUE WITHIN ONE YEAR

	2017 **RMB'000**	2016 RMB'000
Secured *(note)*	**–**	87,260
Unsecured	**1,466,667**	1,205,696
	1,466,667	1,292,956
The bank borrowings comprise:		
Variable rate borrowings	**989,117**	936,586
Fixed rate borrowings	**477,550**	356,370

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

25. BANK BORROWINGS — DUE WITHIN ONE YEAR (continued)

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

	2017 RMB'000	2016 RMB'000
Hong Kong Dollars	**50,155**	181,586
United States Dollars	**68,963**	69,370

At 31 December 2017, fixed rate bank borrowings carry interests ranging from 2.20% to 4.79% (2016: 2.36% to 4.79%) per annum.

At 31 December 2017, variable-rate RMB denominated bank borrowings carry interests at 100% of the People's Bank of China ("PBOC") rate (2016: at 100% of PBOC rate) per annum.

At 31 December 2017, variable-rate United States Dollars denominated bank borrowings carry interests at London Interbank Offered Rate ("LIBOR") plus 0.9% (2016: LIBOR plus 1.7% to LIBOR plus 2.0%) per annum.

At 31 December 2017, variable-rate Hong Kong Dollars denominated bank borrowings carry interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 0.6% (2016: HIBOR plus 0.6% to HIBOR plus 0.9%) per annum.

26. GOVERNMENT GRANTS

	2017 RMB'000	2016 RMB'000
At beginning of the year	**4,307**	1,073
Additions	**–**	3,970
Release to profit or loss for the year	**(736)**	(736)
At the end of the year	**3,571**	4,307

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

27. DEFERRED TAXATION

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

	Fair value adjustment on intangible asset RMB'000	Fair value adjustment on property, plant and equipment 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 2016	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
(Credited) charged to profit or loss for the year	(3,025)	(179)	5,420	175	(13,370)	(10,979)
At 31 December 2017	**21,177**	**7,978**	**17,627**	**2,191**	**(43,725)**	**5,248**

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

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**43,725**	30,355
Deferred tax liabilities	**(48,973)**	(46,582)
	(5,248)	(16,227)

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% (2016: 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.

At 31 December 2017, no deferred tax liability has been recognised in respect of the undistributed profits amounting to RMB2,242,555,000 (2016: RMB1,939,733,000) as management is of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. 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 2016, 31 December 2016 and 31 December 2017	**10,000,000,000**	**100,000,000**	
Issued and fully paid:			
At 1 January 2016 and 31 December 2016	1,563,500,000	15,635,000	12,651
Issue of shares *(note a)*	228,000,000	2,280,000	1,987
At 31 December 2017	**1,791,500,000**	**17,915,000**	**14,638**

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

(a) During the current year, the Group acquired the remaining 40% of the issued share capital of a non-wholly owned subsidiary of the Company, Jiang Mei, from a substantial shareholder of the Company ("Acquisition"). The Acquisition was completed on 9 June 2017 ("Completion Date"). Upon the completion of the Acquisition, Jiang Mei became a wholly-owned subsidiary of the Company.

The fair value of the consideration for the Acquisition based on the Completion Date was approximately RMB370,272,000, which was settled partly as to approximately RMB137,732,000 in cash and partly as to RMB232,540,000 by the allotment and issue of 228,000,000 shares to the vendor upon completion of the Acquisition. The fair value of each ordinary share of the Company of HK$1.17 is determined using the quoted closing price of the Company's share on the Completion Date. The non-controlling interests of RMB176,453,000 was transferred to accumulated profits and the difference arising on these adjustments is recognised in other reserve. Details of the Acquisition are set out in the Company's circular dated 10 May 2017 and the announcement dated 9 June 2017.

All ordinary shares of the Company issued during the year ended 31 December 2017 rank pari passu with the then existing ordinary shares in all respects.

29. 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.

29. 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 53,760,000 share options remained outstanding as at 31 December 2017. 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 RMB3,977,000 during the year ended 31 December 2017 (2016: RMB6,200,000). 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 vested on 4 July 2015 and 20% of the share options vested 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.

During the year ended 31 December 2017, no share options were granted, exercised or cancelled under the Scheme (2016:Nil).

As at 31 December 2017, 26,880,000 shares were issuable under the Scheme (2016: 28,640,000).

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 2016	Lapsed during the year	Balance at 31 December 2016	Lapsed during the year	Balance at 31 December 2017	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	(80,000)	640,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	720,000	–	720,000	(80,000)	640,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	720,000	–	720,000	(80,000)	640,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	720,000	–	720,000	(80,000)	640,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	3,600,000	–	3,600,000	(1,040,000)	2,560,000		
Granted to employees on							
20 June 2014	13,840,000	(240,000)	13,600,000	(13,600,000)	–	HK$3.15	4 July 2015 to 3 July 2017
20 June 2014	13,840,000	(240,000)	13,600,000	(800,000)	12,800,000	HK$3.15	4 July 2016 to 3 July 2018
20 June 2014	13,840,000	(240,000)	13,600,000	(800,000)	12,800,000	HK$3.15	4 July 2017 to 3 July 2019
20 June 2014	13,840,000	(240,000)	13,600,000	(800,000)	12,800,000	HK$3.15	4 July 2018 to 3 July 2020
20 June 2014	13,840,000	(240,000)	13,600,000	(800,000)	12,800,000	HK$3.15	4 July 2019 to 3 July 2021
Sub-total	69,200,000	(1,200,000)	68,000,000	(16,800,000)	51,200,000		
Total	72,800,000	(1,200,000)	71,600,000	(17,840,000)	53,760,000		

29. SHARE OPTIONS (continued)

Share option scheme of the Company (continued)

The weighted average exercise price at the end of year is HK$3.15 (2016: HK$3.15).

The options outstanding at the end of the year have a weighted average remaining contractual life of 2 years (2016: 2.5 years).

30. 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.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**4,048,338**	3,864,081
Other financial assets	**150,000**	150,000
Available-for-sale investments	**7,325**	7,325
Financial liabilities		
Amortised cost	**1,790,766**	1,766,529

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, available-for-sale investments, other financial assets, pledged bank deposits, bank balances and cash, trade and other payables 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.

31. 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, the 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 (2016: 5 basis points) lower and bank borrowings had been 25 basis points (2016: 25 basis points) lower and all other variables were held constant, the Group's post tax profit for the year would have increased by RMB1,557,000 (2016: RMB1,406,000).

There would be an equal and opposite impact on the post tax profit for the year where there had been 5 basis points (2016: 5 basis points) higher for pledged bank deposits and bank balances and 25 basis points (2016: 25 basis points) higher for bank borrowings. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting period do not reflect the exposure during the year.

Currency risk

The Group have foreign currency sales during the year which exposed to foreign currency risk. During the year ended 31 December 2017, approximately 1.3% (2016: 1.1%) of the Group's sales are denominated in currency other than the functional currency of the group entity which it relates.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

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

	2017		2016	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Hong Kong Dollars	2,245	50,434	5,772	181,682
United States Dollars	35,063	68,963	26,096	69,370
Euro Dollars	–	–	2,096	–

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% (2016: 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% (2016: 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 would have increased (decreased) as follows:

	2017 RMB'000	2016 RMB'000
Hong Kong Dollars	1,807	6,597
United States Dollars	1,271	1,623
Euro Dollars	–	(79)

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.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Equity price risk

The Group is exposed to equity price risk in relation to its available-for-sale investments which are measured at cost less impairment at the end of the reporting period. The Group's equity price risk is mainly concentrated on its equity investments in two (2016: two) PRC local enterprises (details are disclosed in note 19).

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 RMB2,972,808,000 (2016: RMB2,642,719,000) representing approximately 94.3% (2016: 90.7%) of the total net trade and bills receivables at 31 December 2017. The largest trade receivable from a customer by itself accounted for approximately 48.2% (2016: 47.8%) of the total net trade and bills receivables at 31 December 2017. 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, other financial assets or bills receivables is limited and there is no significant concentration of credit risk because all bank deposits, other financial assets or bills receivables are deposited in or contracted with several state-owned banks with good reputation and with high credit ratings assigned by international credit-rating agencies.

31. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance 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 2017					
Trade and other payables	**–**	**179,099**	**145,000**	**324,099**	**324,099**
Bank borrowings					
— variable rate	**3.91**	**588,971**	**419,167**	**1,008,138**	**989,117**
— fixed rate	**4.22**	**344,438**	**142,309**	**486,747**	**477,550**
		1,112,508	**706,476**	**1,818,984**	**1,790,766**

	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

31. FINANCIAL INSTRUMENTS (continued)

Fair value measurements of financial instruments

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

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

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000 *(note 25)*	Interest payable RMB'000	Dividend payable RMB'000 *(note 12)*	Total RMB'000
At 1 January 2017	1,292,956	1,363	–	1,294,319
Financing cash flows	183,249	(55,603)	(51,151)	76,495
Foreign exchange translation	(9,538)	–	–	(9,538)
Interest expense	–	56,543	–	56,543
Dividends declared	–	–	51,151	51,151
At 31 December 2017	**1,466,667**	**2,303**	**–**	**1,468,970**

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:

	2017 RMB'000	2016 RMB'000
Within one year	**556**	249
In the second to fifth years inclusive	**104**	–
	660	249

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

33. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

Property rental income earned during the year was RMB400,000 (2016: 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 (2016: two years).

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

	2017 **RMB'000**	2016 RMB'000
Within one year	**400**	400
In the second to fifth years inclusive	**67**	467
	467	867

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.

The total expense recognised in profit or loss of RMB6,573,000 (2016: RMB8,179,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 RMB'000	2016 RMB'000
Non-current assets		
Investment in a subsidiary	**785,160**	785,160
Loans to subsidiaries	**440,472**	150,545
	1,225,632	935,705
Current assets		
Other receivables	**243**	32
Amounts due from subsidiaries	**486,406**	560,290
Bank balances	**1,830**	2,519
	488,479	562,841
Current liabilities		
Other payables	**1,972**	1,951
Bank borrowings — due within one year	**119,118**	163,695
	121,090	165,646
Net current assets	**367,389**	397,195
Net assets	**1,593,021**	1,332,900
Capital and reserves		
Share capital	**14,638**	12,651
Reserves *(note 37)*	**1,578,383**	1,320,249
Total equity	**1,593,021**	1,332,900

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 2016	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 29)*	–	–	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
Profit and total comprehensive income for the year	–	–	–	74,755	74,755
Acquisition of additional interests in a subsidiary *(note 28)*	230,553	–	–	–	230,553
Recognition of equity-settled share-based payment *(note 29)*	–	–	3,977	–	3,977
Lapse of share options	–	–	(6,019)	6,019	–
Dividends recognised as distribution *(note 12)*	–	–	–	(51,151)	(51,151)
At 31 December 2017	**1,509,764**	**101**	**19,352**	**49,166**	**1,578,383**

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 2017	2016	Attributable effective equity interest of the Company 2017	2016	Principal activities
Board Vision Investments Limited	British Virgin Island ("BVI")	**US$1**	US$1	**100%**	100%	Inactive
China Information Communication Group Limited	Hong Kong	**HK$1**	HK$1	**100%**	60%	Investment holding
Jiang Mei	BVI	**US$280**	US$280	**100%**	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 Communication Co. Ltd ("Trigiant Optic-Electric")#	PRC	**RMB200,000,000**	RMB200,000,000	**100%**	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)*	2013 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	**2017 (RMB'000)**
Turnover	2,458,000	2,658,093	2,913,379	2,920,995	**3,200,807**
Cost of goods sold	(1,893,033)	(2,065,226)	(2,263,320)	(2,308,791)	**(2,573,186)**
Gross profit	564,967	592,867	650,059	612,204	**627,627**
Other income	8,297	14,869	22,440	28,659	**26,630**
Other gains and losses	2,078	1,230	(91,671)	(148,849)	**(83,139)**
Selling and distribution costs	(63,764)	(52,258)	(61,849)	(60,663)	**(54,698)**
Administrative expenses	(52,693)	(47,224)	(52,837)	(56,568)	**(52,748)**
Research and development costs	(23,745)	(26,709)	(47,049)	(51,448)	**(55,839)**
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	(55,019)	(46,538)	(73,293)	(59,804)	**(56,543)**
Profit before tax	380,121	441,689	358,949	271,135	**351,284**
Taxation	(66,551)	(72,620)	(57,183)	(49,191)	**(59,271)**
Profit for the year	313,570	369,069	301,766	221,944	**292,013**
Profit attributable to:					
Owners of the Company	313,570	369,069	275,253	192,608	**277,143**
Non-controlling interests	–	–	26,513	29,336	**14,870**
	313,570	369,069	301,766	221,944	**292,013**

Assets and liabilities *(Note)*	2013 (RMB'000)	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)	**2017 (RMB'000)**
Non-current assets	308,479	516,229	538,685	550,712	**519,155**
Current assets	2,325,913	3,428,216	3,926,799	4,141,129	**4,309,005**
Total assets	2,634,392	3,944,445	4,465,484	4,691,841	**4,828,160**
Current liabilities	1,025,458	1,812,426	1,759,865	1,825,391	**1,852,948**
Non-current liabilities	104,690	69,997	54,554	50,889	**52,544**
Total liabilities	1,130,148	1,882,423	1,814,419	1,876,280	**1,905,492**
Net assets	1,504,244	2,062,022	2,651,065	2,815,561	**2,922,668**

Note: Pursuant to the group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the Group on 23 August 2011. For details of the group reorganisation, please refer to Appendix V to the Company's prospectus dated 6 March 2012. 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.