江南集團有限公司

Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1366

2019

Annual Report

One of the Largest Suppliers of

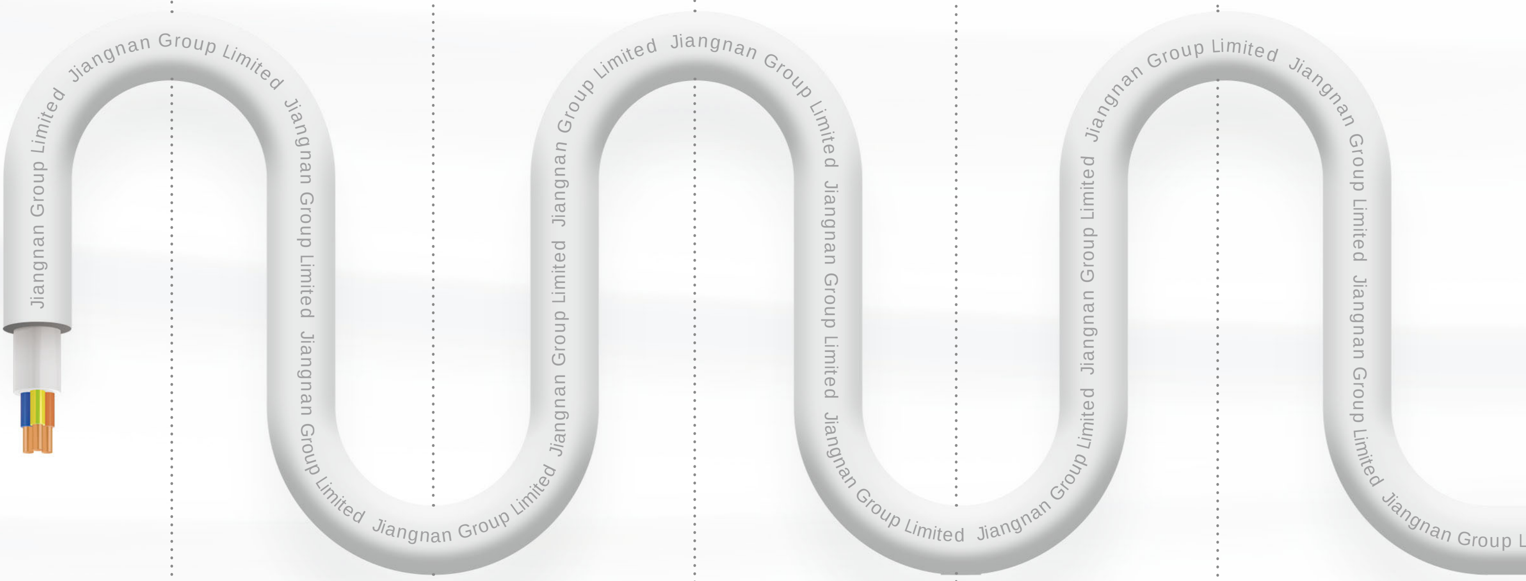
ELECTRIC WIRES AND CABLES

GROUP'S PHILOSOPHY

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

CONTENTS

MILESTONES



1997

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

2000

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

2004

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

2005

The Group's products accredited as **State Inspection-Free Products**

2006

Nuclear power plant cables passed the inspection test

2007

Accredited as **State Key High Technology Enterprise**

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

2008

Obtained **National Laboratory Accreditation Certificate**

2009

Obtained combined certifications including **ISO9001, ISO14001, OHSAS 18001**

2010

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

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

2011

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

MILESTONES

2012

Listed on the Main Board of the HKEx

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

Established production lines in South Africa

2013

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

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

2014

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

Successfully renewed a 5-year contract with **Eskom**

2015

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

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

2016

Added a **new extra-high voltage power cable production line**

Awarded as one of the Top 500 Manufacturing Enterprises in China

2017

Awarded "**AEO Customs Advanced Certification**"

Awarded as the first batch of state-level "**Green Factories**"

Acquired 120,000 square metres of factory land

2018

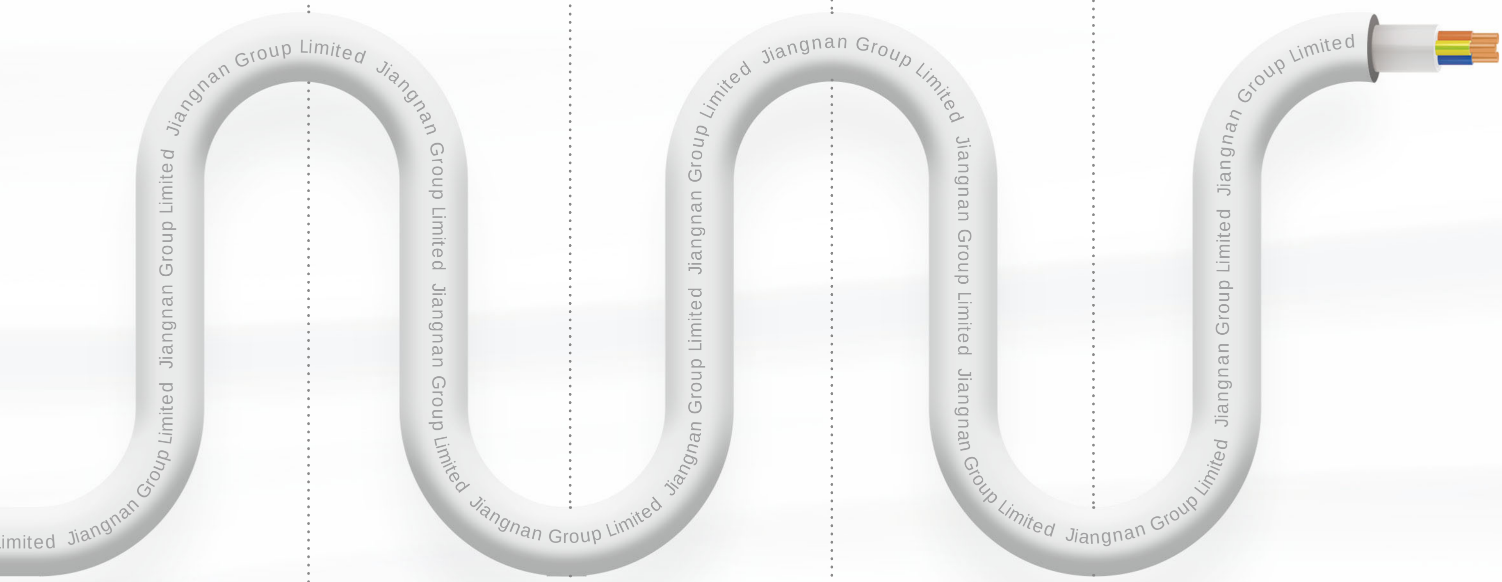
New factory commenced **production**

Wuxi Jiangnan Cable endorsed again as a **High and New Technology Enterprise**

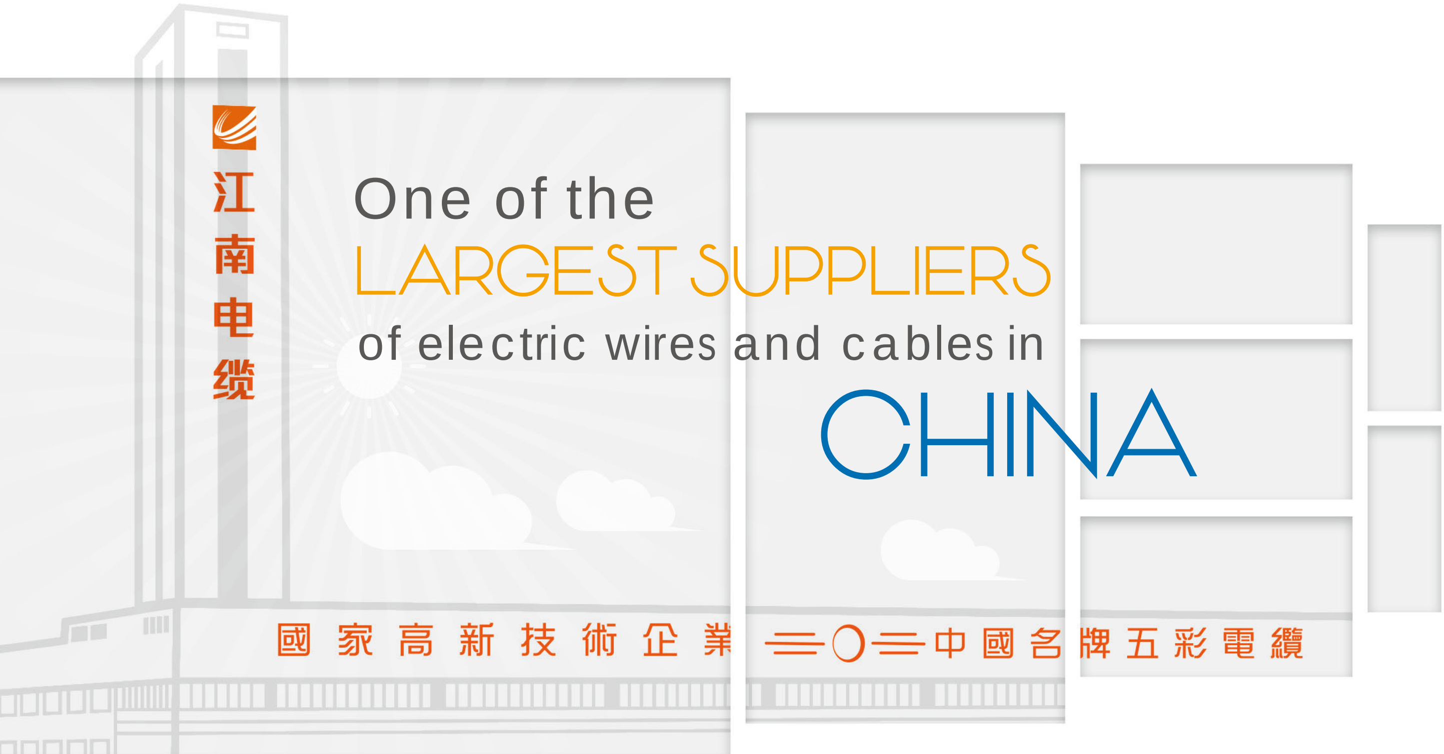
2019

Obtained **ISO 19642 & T/CAS356-2019 dual certification for high-voltage cables used for new energy vehicles**

Awarded as one of the **Top 500 Chinese Manufacturing Enterprises**



CORPORATE PROFILE



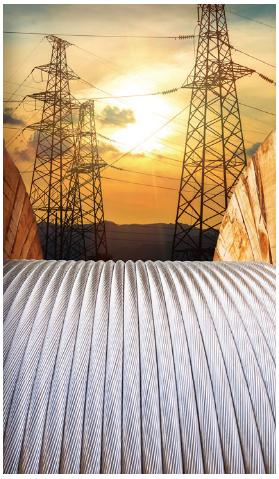
JIANGNAN GROUP LIMITED (“JIANGNAN GROUP” OR “COMPANY”, TOGETHER WITH ITS SUBSIDIARIES, “GROUP”) IS ONE OF THE LARGEST MANUFACTURERS OF WIRES AND CABLES FOR POWER TRANSMISSION, DISTRIBUTION SYSTEMS AND ELECTRICAL EQUIPMENT IN THE PEOPLE’S REPUBLIC OF CHINA (“CHINA” OR “THE PRC”). THE GROUP’S PRODUCTS ARE WIDELY USED IN THE POWER INDUSTRY (INCLUDING GRID, POWER PLANT AND RENEWABLE ENERGY) AND GENERAL INDUSTRIES (INCLUDING METALS AND MINING, OIL AND GAS, TRANSPORTATION, SHIPBUILDING AND CONSTRUCTION).

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

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

* *For identification purpose only*

CORPORATE PROFILE



In 2017, the Group obtained "AEO Customs Advanced Certification"* (海關高級認證 AEO) from the Nanjing Customs Department of the PRC (中華人民共和國南京海關).

In 2018, a subsidiary of the Company was also awarded the titles of "Standardisation of Electrical Industry — Model Enterprise of Good Practice"* (電器工業標準化良好行為示範企業), " National Customer Satisfaction Enterprise"* (全國用戶滿意企業), "Top 50 Original Industrial Brand Names in Jiangsu Province"* (江蘇省自主工業品牌五十強) and "Model Smart Workshop in Jiangsu Province"* (江蘇省示範智能車間). This subsidiary of the Company was also the only enterprise in Yixing being awarded the title of "Model Platform for Entrepreneurship and Innovation in the Manufacturing Sector of Jiangsu Province"* (江蘇省製造業「雙創」示範平台).

In 2019, this subsidiary of the Company continued to be ranked as one of the top 500 Chinese Manufacturing Enterprises* (中國製造業500強), one of the top 500 Chinese Private Enterprises* (2019 中國民營企業500強) and one of the top 10 Most Competitive Cable Industry Players in China* (中國線纜行業最具競爭力10強).

* *For identification purpose only*

The Group has strong research and development capabilities. The Group has established a research workstation and a state post-doctoral research workstation jointly with the academician of the China Academy of Engineering and China Academy of Science. The Group has also participated in the drafting and formulating of 67 national industry standards for the manufacturing processes of power cables, wires and cables for electrical equipment and bare wires. One of these standards was the standard for the rated voltage 0.6/1 kilovolt ("kV") rubber insulation and sheathing wind power with twist-resistant flexible cables. This was the first standard for wind power cables in China. The Group has 377 patents that are material to the Group's business in the PRC. Two of the most significant subsidiaries of Jiangnan Group in China, namely, Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) ("Wuxi Jiangnan Cable") and Jiangsu Zhongmei Cable Group Co., Ltd. (江蘇中煤電纜有限公司) ("Zhongmei Cable"), have been endorsed as High and New Technology Enterprises again by the Yixing Provincial Commission of Science and Technology and are entitled to a reduced PRC income tax rate of 15% until the next renewal of their endorsements in 2021 and 2020 respectively. The Group's high-tech products include extra-high voltage ("EHV") cables, ultra-high voltage ("UHV") aluminum alloy bare wires, photovoltaic solar cables, cables used for wind power, optical fiber composite cables, aluminum-alloy cables, pulse width modulated inverter power supply cables for ships, flexible fire resistant cables, 27.5kV power cables for high-speed railways and high-voltage cables for new energy vehicles.

CORPORATE PROFILE

With its high quality products, renowned brands and good reputation, strong research and development capabilities as well as manufacturing and production capabilities, the Group has maintained a solid and wide customer base, including certain industry leaders in their respective industries. The Group has supplied products to many prominent infrastructure projects in China, such as those in relation to the Gezhouba hydro-electric power, the West-to-East Gas Pipelines, the National Olympic Sports Centre & six other stadiums for the 2008 Beijing Olympic Games, the Performance Center for the 2010 Shanghai World Expo, the Shanghai World Financial Center, the China Zun, the Beijing Capital International Airport, the Nanjing Lukou International Airport, the Shenzhen International Airport, the Power Transmission from West to East Project (the first ±800kV UHV direct current ("DC") transmission system from Yunnan to Guangdong), the ±800kV UHV DC transmission line from Xiluodu to Jinhua, the ±1100kV UHV DC transmission project from Changji to Guquan, the No.5 line of the Shenzhen Metro Project, the No. 7 line of the Shanghai Metro Project, the No. 8 line of the Beijing Metro Project, the Ningtian Intercity Line Phase 1, the high speed railways from Fuzhou to Xiamen, and the 2014 Youth Olympic in Nanjing. The Group is capable of producing cables to be used in extremely low temperature environments in the polar regions, which have been recognised as a Dedicated Product for China North & South Pole Research by the China Polar Region Research Center.

The Group's products have been exported to more than 100 countries. In particular, the Group is a qualified supplier of Eskom Holding Limited ("Eskom"), which is a state-owned power generation and transmission company in South Africa, a fast growing market for power cables. The Group began to supply its products to Eskom in 2007 and the Group is a South Africa Bureau of Standard (SABS) certified manufacturer of wires and cables in the PRC that is allowed to supply power wire and cable products to South Africa. The Group also exports its products to reputable customers overseas, such as Power Works Pte Limited in Singapore, National Power Transmission Corporation in Vietnam and National Grid in the UK. The AEO Customs Advanced Certification awarded to the Group in 2017 enabled the Group to leverage on the convenient conditions of AEO's customs clearance around the world to develop the global business of the Group.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

He Zhisong *(Chairman of the Nomination Committee and the Remuneration Committee)*
Yang Rongkai
Kan Man Yui Kenneth *(Chairman of the Audit Committee)*

AUTHORISED REPRESENTATIVES

Chan Man Kiu
Xia Yafang

COMPANY SECRETARY

Chan Man Kiu, *CPA, FCCA*

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 09, 23/F, Metropole Square, No. 2 On Yiu Street
Shatin, New Territories, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Conyers Dill & Pearman (Cayman) Limited (Cayman Islands laws)
LCH Lawyers LLP (Hong Kong laws)
AllBright Law Offices (PRC laws)

STOCK CODE

1366

WEBSITE

www.jiangnangroup.com

CORPORATE CALENDAR

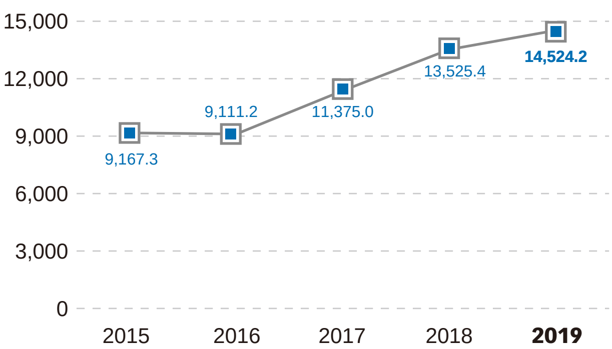
Annual General Meeting 10 June 2020

FINANCIAL HIGHLIGHTS

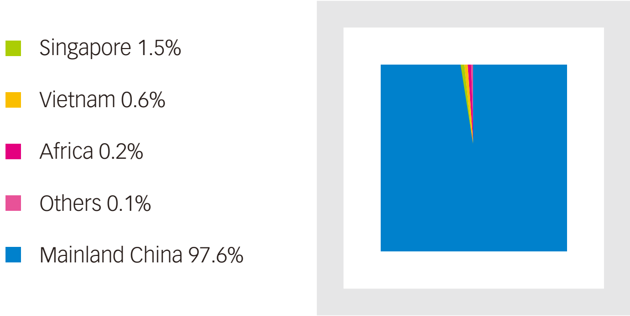
	Year ended 31 December				
	2015	2016	2017	2018	**2019**
RESULTS (RMB'000)					
Group turnover	9,167,273	9,111,232	11,374,969	13,525,377	**14,524,221**
Profit for the year	703,261	531,322	103,912	182,421	**383,223**
ASSETS AND LIABILITIES (RMB'000)					
Non-current assets	1,234,175	1,261,060	1,373,765	1,315,042	**1,287,191**
Current assets	10,885,090	11,204,561	12,060,102	13,248,862	**14,292,289**
Current liabilities	7,146,023	7,096,600	8,072,819	9,069,052	**9,223,459**
Non-current liabilities	77,317	71,929	70,041	70,427	**47,821**
FINANCIAL RATIOS					
Net margin	7.7%	5.8%	0.9%	1.3%	**2.6%**
Current ratio	1.52	1.58	1.49	1.46	**1.55**
FINANCIAL INFORMATION PER SHARE					
Earnings (HK cents)	22.4	15.2	3.07	5.14	**9.67**
Net assets (HK$)	1.43	1.51	1.57	1.53	**1.59**

TOTAL REVENUE

(RMB million)



GEOGRAPHICAL COMBINATION



TECHNOLOGICAL INNOVATION

Strengthening the Group's Leading Position as a Manufacturer-Cum-Supplier of Composite Wires and Cables

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the annual report of Jiangnan Group for the year ended 31 December 2019 to our shareholders.

BUSINESS ENVIRONMENT

In 2019, the national economy in China declined as compared to 2018. According to the National Bureau of Statistics of China, in 2019, China's gross domestic product ("GDP") grew by 6.1% over that in 2018 to RMB99.1 trillion, but its growth rate decreased by 0.5 percentage points from 6.6% in 2018, which was the lowest rate of GDP growth in China in last 29 years. During 2019, China's manufacturing purchasing managers' indices ("PMI") were below 50% for eight months compared to only one month in 2018, which indicated a slowdown in the manufacturing economy in China. National fixed asset investments increased by 5.4% in 2019 over that in 2018 to RMB55.1 trillion, representing a decrease of 0.5 percentage points in their growth rate as compared with 5.9% in 2018. The Chinese economy has experienced downward pressure in 2019, and the demand for cables has also been affected as the cable industry in China is closely related to the economic conditions of China.

In terms of electricity consumption, according to the statistics of the Industry Development and Environmental Resources Division of the China Electricity Council, a joint organisation set up by power enterprises and institutions in China under the approval of the State Council, the total electricity consumption of the entire nation was 7,225.5 billion kilowatt-hours in 2019, representing an increase of 4.5% over that in 2018. The electricity consumption growth rate decreased by 4.0 percentage points over that in 2018, but still representing a continuous increase in electricity consumption. In respect of the supply and transmission of electricity, the national infrastructure production capacity was 101.73 million kilowatts, which was lower than that in 2018 by 29.45 million kilowatts. In 2019, the major power generation enterprises in China completed investments in respect of power supply works of RMB313.9 billion, which were 12.6% more than those in 2018. Hydropower projects were the main driving force in 2019 among them. The investments completed under the national grid project amounted to RMB485.6 billion in 2019, representing a significant decrease of 9.6% of those in 2018. Among such completed investments, the investments made by the State Grid Corporation of China ("SGCC") in power grids in 2019 amounted to RMB 447.3 billion, which represented a decrease of 8.5% of those in 2018. The increase in investments in respect of power supply works countervailed the decline in SGCC's investment and contributed to the increase in the Group's sales from its customers in the energy sector in 2019.

According to the National Bureau of Statistics of China, national infrastructure investments (excluding the production and supply of electricity, heat, gas and water) in 2019 increased by 3.8% over those in 2018, which was mainly driven by the 9.0% growth in the investments in the road transportation industry, 17.4% growth in investment in the information transmission industry and 37.2% growth in investment in the ecological protection and environmental governance industries, which has a positive impact on boosting the demand for both general and special power cables.

CHAIRMAN'S STATEMENT

In order to stabilise property prices and maintain healthy development of the property market and implement the China government regulatory policy on "housing for living, not for speculation", local governments in the PRC introduced various measures according to the relevant situations in 2019, such as restrictions on the purchase of properties, mortgages and sale of properties. Banks further tightened the money supply, and the supply and demand of the property market gradually returned to rationality. Real estate investments still remained stable with a mild increase in 2019. According to the National Bureau of Statistics of China, in 2019, the floor space of commodity housing sold in China slightly decreased by 0.1% of that in 2018 to approximately 1,710 million square metres but the sales increased by 6.5% to approximately RMB16.0 trillion. Investments in real estate development in China reached approximately RMB13.2 trillion in 2019, representing an increase of 9.9% with 0.4 percentage points higher over those in the year of 2018. In 2019, the floor space of commodity housing under development increased by 8.5% over that in 2018 to approximately 2,270 million square metres, while the floor space of commodity housing completed increased by 2.6% over that in 2018 to approximately 960 million square metres. At the end of 2019, the floor space of commodity housing under construction by developers reached approximately 8,940 million square metres, representing an increase of 8.7% as compared with that as at the end of 2018. The land areas purchased by real estate developers in 2019 amounted to approximately 260 million square metres, representing a decrease of 11.4% of that in 2018. Due to the slow recovery of receivables from real estate enterprises in general, the Group adopted a more conservative attitude in selling of its products to real estate sector, curbing the growth of the Group's sales in the sector.

In the first quarter of 2019, the Chinese economy stabilised in stages, but market risk appetite picked up significantly. Copper prices rebounded sharply following the recovery of copper demand from downstream operations. Shanghai copper price peaked at RMB 50,810 per tonne in early March 2019, and copper price in London Metal Exchange ("LME") reached maximum at USD 6,608.5 per tonne. The Political Bureau Meeting of the Central Committee of the Communist Party of China held in April 2019 repeated the policy of the deleveraging, follow-by the Sino-US trade tension intensified, and a number of economic data led by the official manufacturing PMI showed a significant decline, coupled with the underperforming of certain copper downstream industries, such as automobile and electrical appliance, LME copper and Shanghai copper stocks began to accumulate. Copper prices plummeted in the second quarter of 2019. In the third quarter of 2019, the overall macro economic atmosphere tended to be pessimistic, but the LME copper price bottomed out all the way. In September 2019, the weak copper market began to bounce back. On the one hand, the market regarded the domestic counter-cyclical regulation as a positive signal. On the other hand, the riot in Chile, the largest copper exporting country, in October 2019 raised investors' concerns about reducing copper supply, and the copper price found a support. The average price of copper on the LME in 2019 was US$6,006 per tonne, which was 7.9% lower than that in 2018. The average price of aluminum on the LME in 2019 was US$1,321 per tonne, which was 21.0% lower than that in 2018. As the Group price its products on a cost-plus basis and the majority of its products use copper as a raw material, the decline in copper prices has caused the price of the Group's products declined, which affected the revenue growth of the Group for the year under review.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Despite the overall economic downturn in China in 2019, numerous competitors with identical features in most of the products and fierce competition in the market, the Group, with its more than 30 years of experience in the industry and its self-innovation capabilities, recorded a turnover of approximately RMB14,524 million, representing an increase of approximately 7.4% as compared with that in 2018. Yearly turnover kept growing for four consecutive years.

In 2019, the domestic and global macroeconomic landscapes have brought about severe challenges to the Group's development. On 22 March 2018, the President of the United States ("the US") signed a presidential memorandum, which, pursuant to the results of the US Section 301 Investigation, imposed an extensive and heavy levy of tariffs on China's exports to the US and restricted investments, mergers and acquisitions in the US. China and the US initiated multiple rounds of trade negotiations at the deputy national and ministerial levels since the beginning of the Sino-US trade dispute and during the dispute period. On 15 January, 2020, the "Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America" was entered into in Washington, which marked the negotiations on the Sino-US trade disputes achieved phase results. The trade disputes between the US and China, the largest and the second largest economies in the world respectively, have certainly cast a shadow over the growth of the global economy. The PRC exporters also encountered considerable difficulties. Although the total value of the Group's exports to the US only accounted for approximately 0.1% of the Group's turnover, the Sino-US trade disputes had adverse impact on the world's confidence in consumption. To sustain the growth of the Group's export sales, the Group maintains long-term cooperation with strategic customers, such as Singapore Power Works Pte Limited ("PowerWorks") and Eskom Holdings SOC Limited ("Eskom") in South Africa. Meanwhile, the Group is actively exploring potential markets in Southeast Asia and South America. Direct sales to overseas markets in 2019 recorded a growth of approximately 16.0% as compared to 2018.

In 2019, the Group increased its investment in building, transforming and expanding its technology. The Group imported a double-head 9-mold large-draw production line from Feijele in Italy, a double-twisted stranding machine, and an insulation production line for wires used in construction. The Group also purchased new machineries for the production of fire-resistant cables such as 90 extruders, 630 cable forming machines, 1250 cage twisters etc. The expansion of the Group's production capacities will resolve its inventory backlog issue, further shorten its delivery period and increase its customer satisfaction.

In 2019, a subsidiary of the Company continued to be ranked as one of the top 500 Chinese Manufacturing Enterprises* (中國製造業企業500强), and one of the top 10 Most Competitive Cable Industry Players in China* (中國綫纜行業最具競爭力10强). The subsidiary of the Company was also ranked as one of the top 500 Chinese Private Enterprises* (2019 中國民營企業500強), one of the top 500 Chinese Manufacturing Private Enterprises* (2019中國民營企業製造業500強), one of the top 100 Jiangsu Private Enterprises* (2019江蘇民營企業100強), and one of the top 100 Jiangsu Manufacturing Private Enterprises* (2019江蘇民營企業製造業100強). The subsidiary of the Company was also awarded the titles of "Top 100 Private Enterprises in Wuxi City"* (無錫市百強民營企業), "Advanced Council Member of Jiangsu Province Quality Association"* (江蘇省質量協會先進理事單位), "Wuxi City Excellent Research and Development Institutions"*(無錫市優秀研究機構), "Excellent Enterprise in Wuxi Industry Strong City"* (無錫市產業強市優秀企業), "Wuxi Credit Demonstration Enterprise"* (無錫市信用示範企業), and "Yixing City Top Ten Tax Contribution Enterprise"* (宜興市税收貢獻十強企業). The subsidiary of the Company also won the "National Customer Satisfaction Benchmark"* (全國用戶滿意標桿) in 2019 which is the first company in the industry to receive this honor.

* *For identification purpose only*

Over the recent years', amid the keen market competition, the Group with its objective to the high-end markets domestically and overseas has managed to have developed the key technology and its peripheral products specific to low-carbon green energy-saving cables for smart grid by means of research workstations and postdoctoral research workstations for such technology and products which are awarded the first runner-up of science technology in Jiangsu Province. The aforementioned peripheral products can cope with the requirements and needs of the people's livelihood and safety in general and in line with the current major trend of the process of intelligent, ecological and green energy-saving criteria of environmental protection. The specific research is conducted for those peripheral products in terms of their transmission manner of the electricity power, structures of conductors/electrical leads, lightweight structures of cables as well as lightweight materials, which have solved the existing technological shortcomings of poor level of reliability, structure fracture, large outer diameters and profound consumption of resources related to medium and low voltage cable products whereas the application of high voltage and ultra-high voltage electricity wires in China is greatly promoted. In addition to the research on the key technology and its peripheral products specific to low-carbon green energy-saving cables for smart grid, the Group also garners remarkable research results in terms of the research and development efforts for high voltage cables of new energy automobiles, power cables for nuclear plants, low wind pressure conducting wires and mobile low smoke halogen-free rubber jacketed flexible cables for coal mining application, which are evidenced by the 16 new products passing scientific and technical achievements evaluation, 2 products reaching the advanced international threshold level , formed 1 industry standard which is led by the Group and formed 12 national industry standards with the Group's involvement.

OUTLOOK AND PROSPECTS

In 2020, the Group will continue to be exposed to greater financial pressures and challenges due to the global and domestic macroeconomic conditions. In China, the Group is faced with downward pressure caused by the downturn in the macroeconomic performance resulting in the continuing trend of long-term predicaments affecting the domestic and the real economy with the challenges of structural adjustments, shortage of funds and increase in costs. The outbreak of Novel Coronavirus ("COVID-19") in China in early 2020 triggered the central government in China to activate the level 1 response to the public health events which have caused serious adverse impacts on every sectors and industries in which the operation costs (such as labour costs, production costs and transportation costs) of companies have significantly increased, resulting in the dramatic decline in their operating results for the first quarter of 2020 owing to the interruption of business operations. Meanwhile, a widespread outbreak of COVID-19 in many other countries including South Korea, Iran, Japan, Europe and the US will undoubtedly pose severe challenges to the global economies which result in a negative impact on the Group's revenue generating from overseas markets.

In 2020, a significant effect will also be imposed on the property markets in China under the central government policies of "housing for living, not for speculation" and the gradual implementation of such other policies launched in 2019. Despite the economic turmoil due to COVID-19, the Group considers such effect shall be temporary given that China is undergoing the industrial optimisation and upgrade and it has solid economic foundation, which will create opportunities for the business development of the Group in 2020 in the following aspects:

1. The central government in China will keep its active role to promote various financial policies and monetary policies for stabilising the economy. Thanks to the central government in China for its increase in the investments, efforts for stabilising total demands and initiatives for boosting economic growth and the ongoing implementation of different policies and initiatives including "One Belt One Road", "Rise of central regions of China", "Development of western regions of China", "revitalization of north-eastern regions of China", "priority of development for eastern regions of China" as well as establishing Yangtze River Economic Zone and integrating the model areas of Yangtze River Delta Region;

CHAIRMAN'S STATEMENT

2. On 26 December 2019, the minister of Ministry of Transport, Mr. Li Xiaopeng, delivered his forward-looking speech in the business conference of national transport and its transportation in 2020 that RMB800.0 billion will be invested in developing a railway network in China. As disclosed in the chairman's report of the business conference of China State Railway Group Co., Ltd. dated 2 January 2020, the central government had assigned a task to the company to build a railway spanning across over 4,000 kilometres in China including the 2,000-kilometre rails for high-speed trains;

3. In 2020, "new infrastructures" (which are principally involved in seven major sectors including 5G infrastructures, ultra-high voltage cables, intercity express railway and intercity rail transport, charging poles for new energy automobiles, big data centres, artificial intelligence as well as industrialised internet) will become the driving force of new momentum for the vitality of the economic growth. As at 1 March 2020, 13 provinces together with municipalities under central government direct administration (including Beijing, Hebei, Shanxi, Shanghai, Heilongjiang, Jiangsu, Fujian, Shandong, Henan, Yunnan, Sichuan, Chongqing and Ningxia) have published their lists of 2020 investment plans for key infrastructure items which cover a total of 10,326 items with over RMB33 trillion investment solely in new infrastructures; and

4. The "Key highlighted tasks of State Grid Corporation of China ("SGCC") in 2020" published by SGCC in early March of 2020 in relation to the 10 major categories of projects including by Internet of Things for Electricity, comprehensive energy service, ultra-high voltage wires, the operation and distribution of power integration, electricity power market transactions and chips as well as details of 31 specific projects, of which the construction of 7 ultra-high voltage direct current projects will be approved this year. Besides, SGCC has been striking for the approval of two privately invested ultra-high voltage direct current projects. SGCC expects that the production of ultra-high voltage lines will generate investment of approximately RMB150.0 billion of investment for this year.

In view of the above, the Group is still confident about the prospects of the wires and cables industry in China in 2020 despite the unprecedented challenging economic environment.

Having said that, the Group still has many challenges and ongoing tasks in 2020. For example, improving the risk management of the Group, exploring the market share and strengthening the team management. The Group will focus on the following four areas in its business operations in 2020:

1. in response to the adverse conditions of market shrink across multiple industries, the Group will shift its business concept and philosophy by expansion of high-end markets and exploration of untapped markets while keeping its strength in the development of the existing established markets to ensure continuing stable business development;

2. the Group will strengthen its prevention and control in all aspects relating to trade receivables, process control, repayment of loans, appraisals and evaluations of contracts and intellectual properties to avoid any material business risk;

CHAIRMAN'S STATEMENT

3. the Group will strengthen its reinforcement in the internal control, consolidate its management foundation, deepen the concept of its services, broaden its income sources and reduce its costs, save energy and reduce consumption, improve management efficiency and facilitate the high quality management development; and

4. the Group will put more effort on technology advancement and production capacity improvement in an attempt to unleash more development potential in order to further boost business driving momentum in 2020. Four high-speed production lines for medium-rated voltage cables were set up in 2019, two of them will commence production in May 2020 while the other two will commence operation in October 2020. Two mineral insulated cable (BTTZ) production lines will be added to the fire retardant cable workshop.

ACKNOWLEDGEMENT

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

Chu Hui
Chairman and Chief Executive Officer

Hong Kong, 17 April 2020

MAXIMISE EFFICIENCY

Steady Growth in the Wire and Cable industry
in the past and for the Future

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB14,524.2 million, representing an increase of approximately 7.4% as compared with that for the year ended 31 December 2018, and profit for the year under review of approximately RMB383.2 million, representing an increase of approximately 110.1% as compared with that for the year ended 31 December 2018. The increase in the profit for the year under review was mainly due to (i) the increase in turnover as compared with that for the year ended 31 December 2018, which in turn has driven an increase in gross profit for the year under review of approximately 2.2% to approximately RMB1,518.8 million (year ended 31 December 2018: RMB1,486.6 million); (ii) other gains (losses), net turning from net losses of approximately RMB191.7 million for the year ended 31 December 2018 to net gains of approximately RMB9.0 million for the year ended 31 December 2019, which were mainly due to (1) the absence of the write-down of inventories and impairment loss recognised in respect of goodwill during the year under review (year ended 31 December 2018: RMB113.3 million and RMB54.8 million respectively); and (2) turning of an exchange loss for the year ended 31 December 2018 to an exchange gain for the year ended 31 December 2019; and (iii) the reduction in administrative expenses and finance costs by approximately 9.9% and 8.2% respectively as compared with those in 2018, that were partially countervailed by the increase in selling and distribution costs by approximately RMB89.9 million to approximately RMB429.6 million during the year under review (year ended 31 December 2018: RMB339.6 million). The Group's gross profit margin for the year under review decreased to approximately 10.5% (year ended 31 December 2018: 11.0%). Basic earnings per share for the year under review was RMB8.66 cents (year ended 31 December 2018: RMB4.50 cents (restated)), representing an increase of approximately 92.4%.

MARKET REVIEW

In 2019, the national economy in China faced a downward pressure. According to the National Bureau of Statistics of China, China's gross domestic product grew by 6.1% over that in 2018 to RMB99.1 trillion but its growth decreased by 0.5 percentage points from 6.6% in 2018. China's manufacturing PMI had been below 50% for eight months in 2019 as compared to only one month in 2018, indicating a slowdown in the manufacturing economy in China. Despite the slowdown of the economic growth in China, the national fixed asset investments increased by 5.4% from 2018 to RMB55.1 trillion in 2019, which has provided strong support to the demand for both general and special power cables of the Group.

The average price of copper on the LME Limited decreased by approximately 7.9% from approximately US$6,524.3 per tonne in 2018 to approximately US$6,006.1 per tonne in 2019. The average price of aluminium decreased by approximately 21.0% from approximately US$1,670.6 per tonne in 2018 to approximately US$1,320.5 per tonne in 2019. As the Group prices its products on a cost-plus basis, the decrease in average raw materials prices has driven down the Group's average product prices, which partially offset the turnover growth of the Group caused by the increase in the sales volume of the Group during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, despite being held back by the decline in the prices of commodities, such as copper and aluminium, the Group recorded a turnover of approximately RMB14,524.2 million, representing an increase of approximately 7.4% as compared with that in 2018. To cope with the increase in demand for the Group's products, the Group obtained the government approval in March 2019 for setting up eight additional medium and high-voltage cross-linked production lines. The Group will carry out the intelligent expansion and technical adjustment of the medium-voltage production lines in a scheduled and step-by-step manner according to the actual developments made. As a result, the product quality and production efficiency of medium and high-voltage cross-linked cables of the Group has been significantly enhanced, and the delivery period and customer satisfaction has been further improved in addition to energy saving and consumption reduction.

In respect of the Group's overseas business, the long-term cooperative relationships between the Group and its major overseas customers, such as PowerWorks and Eskom, are expected to bring steady overseas revenue to the Group. In addition, the Group has entered into contracts with customers in certain overseas markets in 2018, which revenue was recognised in 2019 resulting in the overseas turnover of the Group boosted by approximately 16.0% to approximately RMB354.6 million for the year under review.

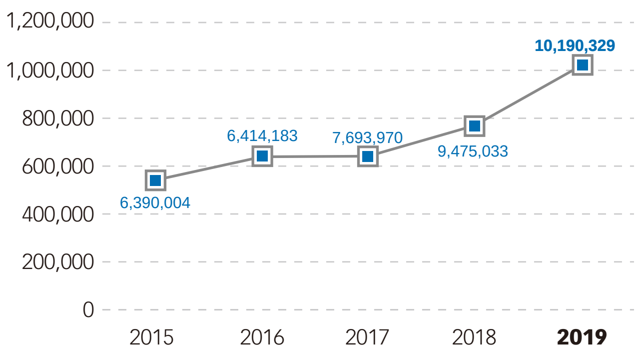
TURNOVER AND GROSS PROFIT MARGIN OF THE PRODUCTS

	Turnover			Gross Profit Margin		
	2019 *RMB'000*	2018 *RMB'000*	% change	**2019**	2018	% change
Power cables	**10,190,329**	9,475,033	7.5%	**10.3%**	10.8%	–0.5%
Wires and cables for electrical equipment	**2,804,546**	2,538,890	10.5%	**6.5%**	7.4%	–0.9%
Bare wires	**505,282**	432,152	16.9%	**12.6%**	9.1%	3.5%
Special cables	**1,024,064**	1,079,302	–5.1%	**21.6%**	22.2%	–0.6%
TOTAL	**14,524,221**	13,525,377	7.4%	**10.5%**	11.0%	–0.5%

TURNOVER

POWER CABLE PRODUCTS — 70.1% OF TOTAL TURNOVER

(RMB'000)



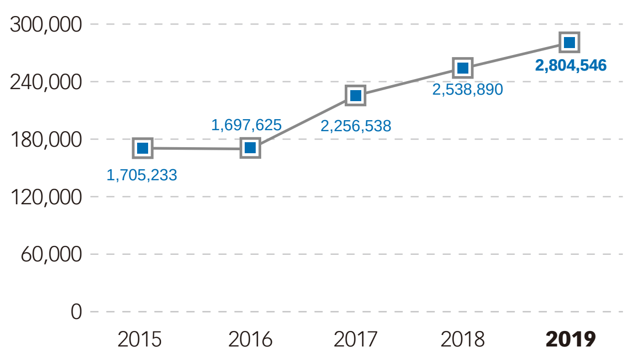
MANAGEMENT DISCUSSION AND ANALYSIS

The growth in the turnover of the Group's power cable products for the year under review remained strong. For the year under review, the turnover of power cables which accounted for approximately 70.1% of the total turnover of the Group amounted to approximately RMB10,190.3 million, representing an increase of approximately 7.5% over that in 2018 of approximately RMB9,475.0 million. The sales volume of the Group's power cable products for the year under review increased by approximately 6.7% to approximately 238,199 km (year ended 31 December 2018: 223,223 km), which was mainly attributed to the increase in the sales of such products to clients in the energy sector as a result of increase in completed investments in respect of power supply works and the enhancement of market concentration in the wire and cable industry, which allowed the Group to secure more sales orders and contracts during the year under review. The decrease in the average copper price during the year under review had countervailed the increase in average selling price of power cable products resulting from the increase in the Group's sales proportion of higher rated voltage power cables carrying relatively higher selling prices. Hence, the average price of power cable products for the year under review only increased slightly by approximately 0.8% to approximately RMB42,781 per km (year ended 31 December 2018: RMB42,445 per km).

Gross profit for the year under review increased to approximately RMB1,051.3 million (year ended 31 December 2018: RMB1,020.6 million), whereas gross profit margin decreased slightly to approximately 10.3% (year ended 31 December 2018: 10.8%) mainly due to the reduction of value-added tax from 16% to 13% since 1 April 2019.

WIRES AND CABLES FOR ELECTRICAL EQUIPMENT PRODUCTS — 19.3% OF TOTAL TURNOVER

(RMB'000)

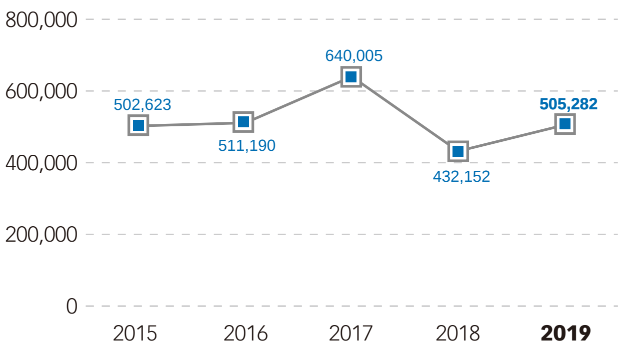


For the year under review, turnover from wires and cables for electrical equipment increased by approximately 10.5% to approximately RMB2,804.5 million (year ended 31 December 2018: RMB2,538.9 million). Sales volume of wires and cables for electrical equipment increased by approximately 12.6% from approximately 1,281,441 km for the year ended 31 December 2018 to approximately 1,442,789 km for the year under review. The average selling price of wires and cables for electrical equipment products decreased by approximately 1.9% from approximately RMB1,981 per km for the year ended 31 December 2018 to approximately RMB1,944 per km for the year under review, mainly due to the decrease in the average copper price in 2019. Gross profit for the year under review decreased to approximately RMB182.9 million (year ended 31 December 2018: RMB187.1 million) and gross profit margin decreased to approximately 6.5% (year ended 31 December 2018: 7.4%), mainly due to the increase in cost of goods sold, which was driven by the increase in raw materials consumed in manufacturing the products sold and the reduction of value-added tax since 1 April 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BARE WIRE PRODUCTS — 3.5% OF TOTAL TURNOVER

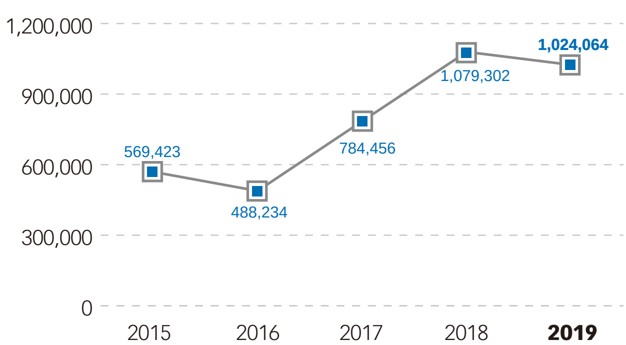
(RMB'000)



For the year under review, more aluminium alloy products and ultra-high voltage bare wires have been sold, the sales volume of bare wires increased significantly by approximately 22.2% to approximately 37,726 tonnes for the year under review (year ended 31 December 2018: 30,883 tonnes). However, the turnover of bare wires only increased by approximately 16.9% during the year under review due to the decrease in average price of aluminium. The average price of bare wire products decreased by approximately 4.3% to approximately RMB13,394 per tonne for the year under review (year ended 31 December 2018: RMB13,993 per tonne). The gross profit and gross profit margin increased by approximately 61.7% and 3.5% respectively to approximately RMB63.9 million and 12.6% for the year under review (year ended 31 December 2018: RMB39.5 million and 9.1%) due to change in product mix that the sales proportion of ultra-high voltage bare wires with higher gross profit margin increased during the year under review.

SPECIAL CABLE PRODUCTS — 7.1% OF TOTAL TURNOVER

(RMB'000)



MANAGEMENT DISCUSSION AND ANALYSIS

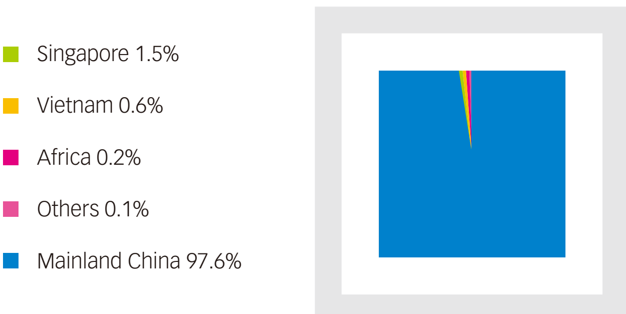
The sales volume of special cables for the year ended 31 December 2019 increased by approximately 3.3% to approximately 55,114 km (year ended 31 December 2018: 53,365 km). However, the turnover, gross profit and the average selling price of special cables in the year under review decreased to approximately RMB1,024.1 million, RMB220.8 million and RMB18,581 per km respectively, representing a decrease of approximately 5.1%, 7.8% and 8.1% respectively (year ended 31 December 2018: RMB1,079.3 million, RMB239.5 million and RMB20,225 per km respectively). The decrease in the turnover, gross profit and the average selling price was mainly due to the decrease in average copper price during the year under review. The gross profit margin decreased slightly by approximately 0.6% to approximately 21.6% during the year under review (year ended 31 December 2018: 22.2%) as a result of different product mix in 2019 and 2018.

Turnover by geographical markets

The PRC remained the Group's key market during the year under review. Turnover in the PRC market for the year under review increased by approximately 7.2% to approximately RMB14,169.6 million (year ended 31 December 2018: RMB13,219.8 million), which accounted for approximately 97.6% (year ended 31 December 2018: 97.7%) of the Group's total turnover, and such increase was primarily driven by the increase in the sales to customers in the energy and property sectors in the PRC during the year under review.

The turnover contributed by the overseas markets increased by approximately RMB49.0 million or approximately 16.0% to approximately RMB354.6 million for the year under review (year ended 31 December 2018: RMB305.6 million). This increase was mainly attributable to the increase in the sales in Singapore and Vietnam partially offset by the net decrease in sales in other overseas markets during the year under review.

GEOGRAPHICAL COMBINATION 2019



Cost of goods sold

Cost of goods sold which was composed of the costs of raw materials, production costs and direct labour costs, increased by approximately 8.0% to approximately RMB13,005.4 million during the year under review (year ended 31 December 2018: RMB12,038.8 million). The costs of raw materials accounted for approximately 96.0% of cost of goods sold for the year under review (year ended 31 December 2018: 96.3%), of which copper and aluminium were the Group's major raw materials, accounting for approximately 78.7% of the cost of goods sold for the year under review on aggregate basis (year ended 31 December 2018: 80.1%). Direct labour costs remained at approximately 1.3% of the total cost of goods sold for the year under review (year ended 31 December 2018: 1.2%). The remaining balance of approximately 2.7% of the cost of goods sold for the year under review (year ended 31 December 2018: 2.5%) was attributable to production costs which mainly consisted of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The gross profit increased by approximately RMB32.3 million, or approximately 2.2%, from approximately RMB1,486.6 million for the year ended 31 December 2018 to approximately RMB1,518.8 million for the year under review. Gross profit margin decreased from approximately 11.0% for the year ended 31 December 2018 to approximately 10.5% for the year under review. The decrease in gross profit margin for the year under review was mainly due to the increase in cost of goods sold driven by the increase in raw materials consumed in manufacturing the products sold and the reduction of value-added tax since 1 April 2019.

Profit for the year

Profit for the year under review increased by approximately 110.1% from approximately RMB182.4 million for the year ended 31 December 2018 to approximately RMB383.2 million. The increase was mainly attributable to (i) the increase in turnover as compared with that for the year ended 31 December 2018, which in turn has driven an increase in gross profit for the year under review of approximately 2.2% to approximately RMB1,518.8 million (year ended 31 December 2018: RMB1,486.6 million); (ii) other gains (losses), net turning from net losses of approximately RMB191.7 million for the year ended 31 December 2018 to net gains of approximately RMB9.0 million for the year ended 31 December 2019, which were mainly due to (1) the absence of the write-down of inventories and impairment loss recognised in respect of goodwill during the year under review (year ended 31 December 2018: RMB113.3 million and RMB54.8 million respectively); and (2) turning of an exchange loss for the year ended 31 December 2018 to an exchange gain for the year ended 31 December 2019; and (iii) the reduction in administrative expenses and finance costs by approximately 9.9% and 8.2% respectively as compared with those in 2018, that were partially countervailed by the increase in selling and distribution costs by approximately RMB89.9 million to approximately RMB429.6 million during the year under review (year ended 31 December 2018: RMB339.6 million).

Selling and distribution costs

During the year under review, selling and distribution costs mainly represented the Group's salary and welfare expenses for employees involved in selling and distribution activities, services costs for providing technical supports and after-sales services, transportation costs for delivery of products to customers and other selling expenses, including marketing expenses, advertising and promotion expenses and other miscellaneous expenses.

The selling and distribution costs increased by approximately RMB89.9 million, or approximately 26.5%, from approximately RMB339.6 million for the year ended 31 December 2018 to approximately RMB429.6 million for the year under review. This increase in selling and distribution costs was mainly due to (i) the increase in the costs incurred in providing better technical supports and after-sales services to the customers; (ii) the increase in the costs incurred in bidding projects; (iii) the increase in the transportation expenses as a result of increase in sales volume; and (iv) the increase in marketing and operating costs in relation to the increase in the number of self-operated retail stores in the PRC engaged in direct sales of the Group's products. The selling and distribution costs as a percentage of turnover increased by approximately 0.5% to approximately 3.0% for the year under review (year ended 31 December 2018: 2.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative expenses

The administrative expenses decreased by approximately RMB29.0 million, or approximately 9.9%, from approximately RMB294.6 million for the year ended 31 December 2018 to approximately RMB265.5 million for the year under review, mainly due to (i) the decrease in other tax charges as a result of tax concession; and (ii) the decrease in travelling expenses incurred during the year under review. The administrative expenses as a percentage of turnover decreased from approximately 2.2% for the year ended 31 December 2018 to approximately 1.8% for the year under review.

Research and development costs

The research and development costs increased by approximately 9.0% from approximately RMB57.5 million for the year ended 31 December 2018 to approximately RMB62.7 million for the year under review. This increase was mainly resulted from the increase in spending incurred by the Group during the year under review on technological research and development of new products which are expected to contribute higher gross profit margin to the Group (such as the high voltage power cables for charging of new energy vehicles), compared to that incurred in the year ended 31 December 2018.

Other gains (losses), net

Other gains (losses), net were mainly composed of exchange gain (loss) and loss on disposal of property, plant and equipment. Other gains (losses), net turned from net loss of approximately RMB191.7 million for the year ended 31 December 2018 to net gain of approximately RMB9.0 million for the year under review, which were mainly due to the absence of the write-down of inventories and impairment loss recognised in respect of goodwill during the year under review (year ended 31 December 2018: RMB113.3 million and RMB54.8 million respectively), as well as turning of an exchange loss for the year ended 31 December 2018 to an exchange gain for the year under review.

Impairment losses under expected credit loss ("ECL") model, net of reversal

Impairment losses under ECL model, net of reversal represented the net impairment losses on trade and other receivables as well as loan to an associate, which decreased by approximately RMB0.5 million, or approximately 0.4%, from approximately RMB102.5 million for the year ended 31 December 2018 to approximately RMB102.0 million for the year ended 31 December 2019. This decrease was mainly due to the turnaround from loss to gain in impairment recognised for other receivables that was countervailed by the increase in impairment recognised arising from the increase in trade receivables outstanding as at 31 December 2019 and the long-outstanding loan to an associate.

Finance costs

Finance costs decreased by approximately 8.2% from approximately RMB319.0 million for the year ended 31 December 2018 to approximately RMB292.8 million for the year under review, which was mainly attributed to the reduction in the interest rates used in the discounting of bank and commercial bills used in financing the Group's operations during the year under review. Finance costs as a percentage of turnover decreased to approximately 2.0% for the year under review from approximately 2.4% for the year ended 31 December 2018.

Taxation

The Group's taxation decreased by approximately RMB2.8 million, or approximately 3.6%, from approximately RMB79.5 million for the year ended 31 December 2018 to approximately RMB76.7 million for the year under review. The effective tax rate, which is taxation divided by profit before taxation, for the year under review was approximately 16.7% (year ended 31 December 2018: 30.3%). The decrease in effective tax rate was mainly due to the decrease in tax non–deductible expenses, such as impairment loss recognised in respect of goodwill, which increased the amount of profit before taxation during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff number and remuneration

The Group's remuneration policy is based on the position, duties and performance of the employees. The remuneration of the Group's employees, including their salary, overtime allowance, bonus and various subsidies, varies according to their positions. The performance appraisal cycle varies according to the positions of the Group's employees. The performance appraisal of the Group's senior management is conducted annually, and that of the department heads is conducted quarterly while that of the Group's remaining staff is conducted monthly. The performance appraisal is supervised by the Group's performance management committee. The total staff costs of the Group amounted to approximately RMB289,832,000 (year ended 31 December 2018: RMB291,887,000) for the year under review. In addition, the Group has provided on–the–job training programmes, internal seminars and an e–learning platform to the staff and the management of the Group in order to enhance their career progression.

During the year under review, there was no change to the overall remuneration structure and process of the Group. The duties performed by the remuneration committee of the Company during the year under review are set out in the section headed "Remuneration Committee" in the Corporate Governance Report. As at 31 December 2019, the Group had 3,284 employees with 3,269 based in the PRC, 10 based in South Africa and 5 based in Hong Kong. A breakdown of employees by function as at the same date is as follows:

Department	Number of employees
Management and administration	355
Finance, control and accounting	129
Procurement	41
Production and quality assurance	2,078
Sales and marketing	496
Engineering, research and development	185
Total	3,284

Notes:

1. The three independent non–executive Directors are not included above because they are not the Group's employees.

2. 160 professional qualified management personnel are included in the production and quality assurance department and finance, control and accounting department above.

3. Please refer to Note 11 of Notes to the Consolidated Financial Statements for the details of the remuneration of the Directors for the years ended 31 December 2019 and 2018.

EARNINGS PER SHARE

For the year ended 31 December 2019, the basic earnings per share increased to HK9.67 cents (or RMB8.66 cents), as compared with HK5.14 cents (or RMB4.50 cents) for the year ended 31 December 2018. The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately RMB383.2 million (year ended 31 December 2018: RMB182.4 million) and on the weighted average number of approximately 4,425,897,000 (year ended 31 December 2018: 4,049,598,000) ordinary shares in issue from which the weighted average number of shares held by the trustee for the share award scheme adopted by the Company on 9 September 2015 has been deducted, and adjusted for the rights issue of 2,039,433,000 ordinary shares on the basis of one rights share ("Rights Share") for every two existing shares in issue held on the record date at the subscription price of HK$0.28 per Rights Share ("Rights Issue"), completion of which took place on 22 October 2019.

For the years ended 31 December 2019 and 31 December 2018, the weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share has been adjusted for the effect of the shares granted on 28 January 2016 pursuant to the share award scheme of the Company on 9 September 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The management and control of the Group's financial, capital management and external financing functions are centralised. The Group has been adhering to the principle of financial management. During the year under review, the main sources of funding to the Group were the proceeds generated from the operating activities in the ordinary course of business of the Group and borrowings from the banks. The net–debt–to–equity ratio and the total debt to total assets ratio disclosed in the paragraph headed "Financial Position of the Group" below are used to measure the extent the Group is taking on debts as a means of leveraging. They are the key performance indicators used by the management of the Group to manage and control the Group's financial resources and to assess the Group's liquidity, so as to ensure the Group can carry on its business without any going concern issue, and achieve its objective of funding its business growth with the optimal capital structure. In general, the higher these ratios, the more aggressive the Group has been financing its growth with debts.

FINANCIAL POSITION OF THE GROUP

1. Shareholders' equity

The Group has maintained a solid financial position for the year under review, and the total equity was approximately RMB6,308.2 million as at 31 December 2019, which was approximately 16.3% higher than the same as at 31 December 2018 of approximately RMB5,424.4 million. The increase in total equity was mainly attributable to the contribution from net profits for the year under review and the increase in the share capital and share premium of the Company arising from the Rights Issue.

2. Assets

As at 31 December 2019, total assets of the Group amounted to approximately RMB15,579.5 million (31 December 2018: RMB14,563.9 million), representing an increase of approximately 7.0%.

Non-current assets decreased by approximately 2.1% from approximately RMB1,315.0 million as at 31 December 2018 to approximately RMB1,287.2 million as at 31 December 2019. The decrease was mainly due to the net effect of addition of property, plant and equipment, the decrease in loan to an associate as a result of impairment loss of approximately RMB20.8 million recognised, decrease in the fair value of equity instrument at fair value through other comprehensive income, the decrease in the deposits paid for acquisition of property, plant and equipment and the depreciation charged during the year under review.

Current assets increased by approximately 7.9% from approximately RMB13,248.9 million as at 31 December 2018 to approximately RMB14,292.3 million as at 31 December 2019, which was mainly due to the net proceeds raised from Rights Issue and the free cash generated from business operation where certain amount of such free cash was placed in banks as short-term bank deposits and structured deposits for earning higher interest income as at 31 December 2019, which was partially offset by the decrease in the inventories as at 31 December 2019.

As at 31 December 2019, the Group had bank balances and cash of approximately RMB2,222.5 million (31 December 2018: RMB2,592.5 million), structured deposits of approximately RMB604.6 million (31 December 2018: nil), bank deposits with original maturity over three months of approximately RMB861.3 million (31 December 2018: nil) and pledged bank deposits of approximately RMB2,069.8 million (31 December 2018: RMB2,069.0 million).

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. Borrowings

Total interest-bearing bank borrowings decreased by approximately 0.7% from approximately RMB3,274.3 million as at 31 December 2018 to approximately RMB3,252.8 million as at 31 December 2019. Of the Group's total bank loans outstanding as at 31 December 2019, approximately 97.2% (31 December 2018: 94.1%) of short-term borrowings were made by the Company's subsidiaries in the PRC, namely Wuxi Jiangnan Cable, Wuxi New Suneng Electric Power Science & Technology Co., Ltd ("Wuxi New Suneng"), Zhongmei Cable, Jiangsu Kai Da Cable Company Limited ("Jiangsu Kai Da") and Wuxi New Sun Cable Company Limited ("Wuxi New Sun"). These loans were not guaranteed by the Company.

The net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balances and cash, bank deposits with original maturity over three months and pledged bank deposits) of approximately negative RMB1,900.9 million over total equity of approximately RMB6,308.2 million as at 31 December 2019, improved from approximately -25.6% as at 31 December 2018 to approximately -30.1% as at 31 December 2019. The improvement in the net-debt-to-equity ratio as at 31 December 2019 as compared with that as at 31 December 2018, was mainly due to the placement of certain free cash to banks as short-term bank deposits for earning higher interest income as at 31 December 2019 (31 December 2018: nil), resulting to the increase of the overall bank balances and cash.

As at 31 December 2019, the total debt to total assets ratio of the Group, defined as a percentage of total liabilities (current liabilities and non–current liabilities) of approximately RMB9,271.3 million over total assets (current assets and non–current assets) of approximately RMB15,579.5 million, decreased slightly to approximately 59.5% from approximately 62.8% as at 31 December 2018. The decrease was mainly due to the increase in current assets, resulting from the net proceeds raised from Rights Issue and the free cash generated from business operation where certain amount of such free cash was placed in banks as short-term structured deposits for earning higher interest income as at 31 December 2019, outweighed the increase in total liabilities.

The Group had sufficient committed but unused banking facilities of approximately RMB1,918.3 million as at 31 December 2019 (31 December 2018: RMB2,023.1 million) to meet the needs of the Group's business development. There was no material seasonality in relation to the borrowing requirements of the Group.

As at 31 December 2019, the Group has pledged certain of its buildings with carrying value of approximately RMB162.0 million (31 December 2018: buildings and machinery with carrying values of approximately RMB181.3 million and RMB27.1 million respectively) to certain banks to secure the credit facilities granted to the Group.

During the year ended 31 December 2019, the Group's borrowings were mainly denominated in RMB and carried interests at a premium over the RMB benchmark loan interest rates for financial institutions set by the People's Bank of China ("PBOC"). As at 31 December 2019, the majority of the Group's bank balances and cash were denominated in RMB. As the Group's revenue was mainly denominated in RMB and its major expenses were denominated in either RMB or Hong Kong Dollars, the Group faced relatively low currency risk during the year under review.

As at 31 December 2019, approximately 89.8% (as at 31 December 2018: 85.3%) of the Group's total bank borrowings carried fixed interest rates.

All of the Group's bank borrowings as at 31 December 2019 and 2018 were due within one year.

During the years ended 31 December 2019 and 2018, no interest expense has been capitalised.

During the years ended 31 December 2019 and 2018, the Group did not employ any financial instruments for hedging purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

The capital expenditures in the coming year are expected to be settled by cash through internal resources of the Group. Please refer to Note 37 of Notes to the Consolidated Financial Statements for the details of the capital commitment of the Group as at 31 December 2019. Other than those as disclosed, the management of the Group does not expect there to be any plans for material investments or capital assets in the coming year with reference to the current situation as at the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Interest rate risk

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

For the potential financial impact on the Group's performance caused by interest rate risk, please refer to the sensitivity analysis in Note 35 of Notes to the Consolidated Financial Statements.

2. Credit risk

The carrying amounts of loan to an associate, trade and other receivables and bank and cash balances, including pledged bank deposits as presented in the consolidated statement of financial position set out in this annual report, represent the Group's major exposure to credit risk in relation to its financial assets.

The Group's credit risk is primarily attributable to its trade and other receivables. The Group has policies in place to ensure that sales are made to customers following an appropriate credit assessment. In addition, the Directors review the recoverable amount of each trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. As at 31 December 2019, the five largest trade receivables represented approximately 11.8% (31 December 2018: 7.0%) of the total trade receivables of the Group.

The Directors review the recoverable amount of loan to an associate at the end of the reporting period to ensure that adequate impairment losses have been recognised for irrecoverable amounts. The exposure to credit risk is limited.

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. Commodity risk

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

4. Foreign currency risk

The Group had certain transactions that were denominated in foreign currencies, which made its results of operation susceptible to foreign currency risk. During the year ended 31 December 2019, sales denominated in currencies other than the functional currency of the group entity to which it related represented approximately 2.5% (year ended 31 December 2018: 2.3%) of the Group's sales. The Group has an operating subsidiary in South Africa. As a result of the Group's sales and operations, the Group is exposed to currency fluctuations in United States Dollars, Singapore Dollars, South Africa Rands and Hong Kong Dollars.

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

During the year ended 31 December 2019, the Group did not have a foreign currency hedging policy in respect of its foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

For the potential financial impact on the Group's performance caused by foreign currency risk, please refer to the sensitivity analysis in Note 35 of Notes to the Consolidated Financial Statements.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019. As at the date of this annual report, the Group was not involved in any material legal proceedings, nor was the Group aware of any pending or potential material legal proceedings involving the Group. If the Group was involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it was probable that a loss had been incurred and the amount of the loss could be reasonably estimated.

PROSPECTS

The details of the Group's prospects are set out in the "Chairman's Statement" in this annual report on pages 13 to 15.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted a code of corporate governance, containing the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and had during the year ended 31 December 2019 ("Relevant Period") complied with the CG Code then in force except for the following deviation.

Pursuant to Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not had a separate chairman ("Chairman") and chief executive officer ("Chief Executive Officer") during the year under review. The Board believes that vesting both the roles of Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. The current arrangement will enable the Company to make and implement decisions promptly and efficiently. The Group nevertheless will review the structure from time to time in light of the prevailing circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS

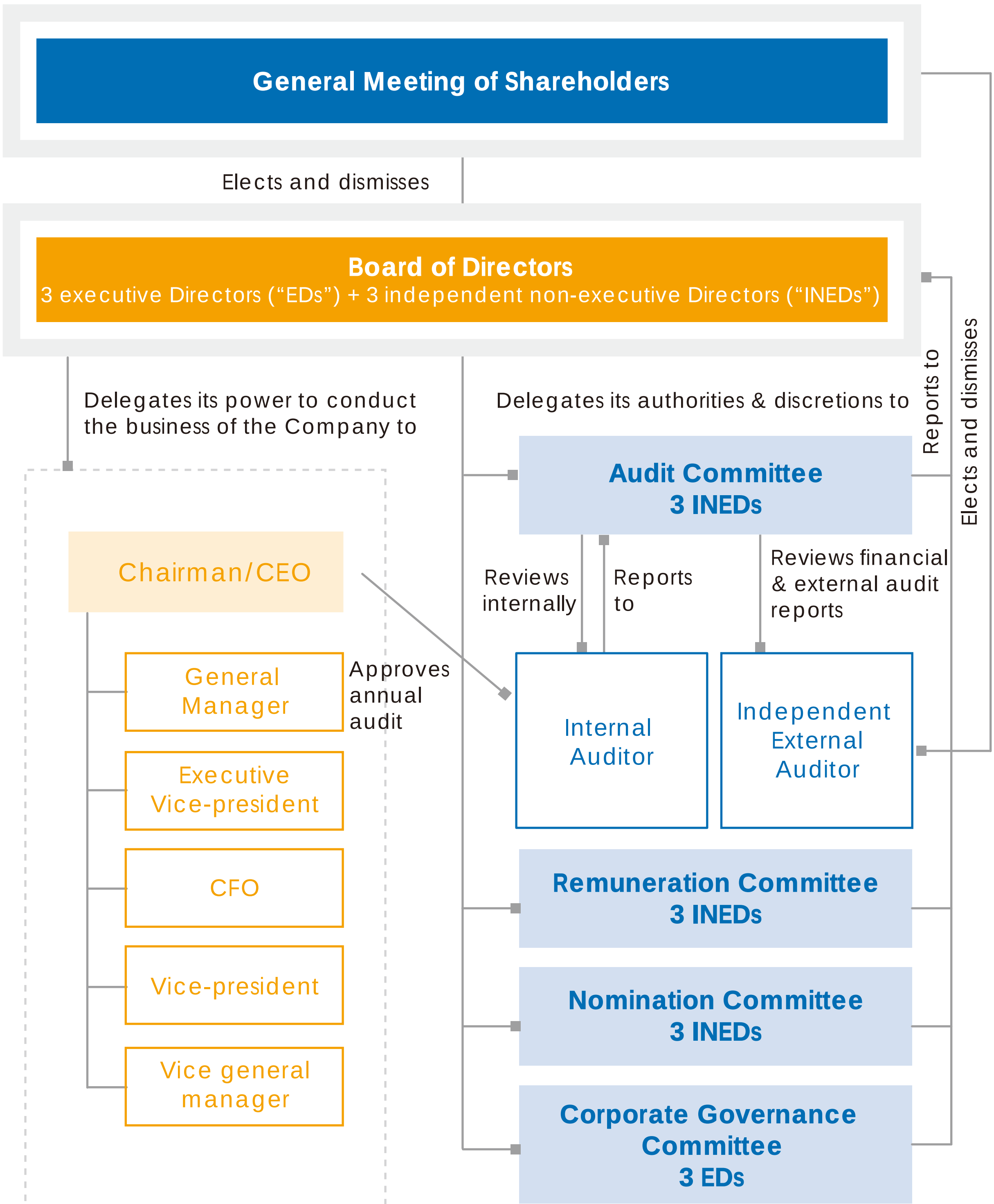
The Company has adopted a code on securities transactions by Directors on terms not less exacting than the required standards contained in the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules ("Model Code").

Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2019.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them from dealing in the securities of the Company at any time when they possess inside information in relation to those securities. No incident of non-compliance of the Model Code by any relevant officers or employees during the year ended 31 December 2019 was noted by the Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURE



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board composition

As at 31 December 2019 and the date of this annual report, the Company had three executive Directors and three independent non-executive Directors. Biographical details of the Directors (including the relationships between the Directors) are set out on pages 55 to 57 in this annual report. The Directors bring to the Board a wide range of professional experience in areas of business, financial, legal, technical and industrial, which contribute to the provision of effective direction to the Group. The Board considers its current composition to have achieved good diversity in terms of educational background and professional experience.

The Board comprises the following Directors during the year ended 31 December 2019:

Executive Directors

Mr. Chu Hui (Chairman of the Board, Chief Executive Officer, and Chairman of the Corporate Governance Committee)
Ms. Xia Yafang (appointed as member of the Corporate Governance Committee on 27 May 2019)
Mr. Jiang Yongwei (Member of the Corporate Governance Committee)
Mr. Hao Minghui (retired as Director and member of the Corporate Governance Committee following the conclusion of the Company's annual general meeting held on 27 May 2019 (the "2019 AGM"))

Independent non-Executive Directors

Mr. Poon Yick Pang Philip (retired as an independent non-executive Director, Chairman of the Audit Committee and member of each of the Remuneration Committee and the Nomination Committee following the conclusion of the 2019 AGM)
Kan Man Yui Kenneth (appointed as an independent non-executive Director, Chairman of the Audit Committee and member of each of the Remuneration Committee and the Nomination Committee on 10 June 2019)
Mr. He Zhisong (Chairman of each of the Remuneration Committee and the Nomination Committee, and member of the Audit Committee)
Mr. Yang Rongkai (Member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee)

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

Following the conclusion of the 2019 AGM, Mr. Poon Yick Pang Philip retired as an independent non-executive Director (the "Poon Retirement") and ceased to be the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have the appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Following the Poon Retirement and until the appointment of Mr. Kan Man Yui Kenneth (the "Kan Appointment") as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 10 June 2019, (i) the Company had only two independent non-executive Directors and two members in each of the Audit Committee, the Remuneration Committee and the Nomination Committee, which fell below the respective minimum number of independent non-executive directors and members of the audit committee requirements under Rules 3.10(1) and 3.21 of the Listing Rules; and (ii) the Board did not have an independent non-executive Director with the appropriate professional qualifications or accounting or related

CORPORATE GOVERNANCE REPORT

financial management expertise as required under Rule 3.10(2) of the Listing Rules, or an Audit Committee member as required under Rule 3.21 of the Listing Rules meeting the same requirements under Rule 3.10(2) of the Listing Rules. The Company complied with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules following the Kan Appointment.

Save as disclosed above, the Company at all time has complied with the Listing Rules requirement of independent non-executive directors representing at least one-third of the Board.

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

Board responsibilities and delegation

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

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

Chairman's responsibilities

The Chairman is primarily responsible for ensuring that good corporate governance practices and procedures are established.

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

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

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The Chairman provides leadership to the Board. The Chief Executive Officer has responsibility for the Group's overall business and development strategies, and daily management generally.

Directors' responsibilities in respect of the financial statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

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

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

Company secretary

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

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

Board meetings and attendance

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

CORPORATE GOVERNANCE REPORT

Seven Board meetings and one general meeting ("General Meeting") were held during the year ended 31 December 2019. The attendance record of each Director at the Board meetings and the General Meeting during the year ended 31 December 2019 is set out below:

Directors	Attendance at Board meetings	Attendance at General Meeting
Executive Directors		
Mr. Chu Hui *(Chairman and Chief Executive Officer)*	7	1
Ms. Xia Yafang	7	1
Mr. Jiang Yongwei	7	1
Mr. Hao Minghui (retired following the conclusion of the 2019 AGM and five Board meetings were held on or after his retirement)	1	1
Independent Non-executive Directors		
Mr. He Zhisong	7	1
Mr. Yang Rongkai	7	1
Mr. Poon Yick Pang Philip (retired following the conclusion of the 2019 AGM and one Board meeting was held on or before his retirement)	1	1
Mr. Kan Man Yui Kenneth (appointed on 10 June 2019 and four Board meetings were held on or after his appointment)	4	0

Directors' continuing professional development programme

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. All existing Directors, namely, Mr. Chu Hui, Ms. Xia Yafang, Mr. Jiang Yongwei, Mr. He Zhisong, Mr. Yang Rongkai and Mr. Kan Man Yui Kenneth have confirmed that they have complied with Code Provision A.6.5 of the CG Code for the year ended 31 December 2019. The Company has arranged training in relation to amendments to the Listing Rules in 2019 with regard to backdoor listing, continuing listing criteria and other rules for the Directors. Each Director has attended such training.

Term of appointment of the independent non-executive Directors

As at the date of this annual report, two of the independent non-executive Directors, Mr. He Zhisong and Mr. Yang Rongkai, have been re-appointed for a term of three years commencing on 1 March 2018, and the independent non-executive Director, Mr. Kan Man Yui Kenneth, has been appointed for a term of three years commencing on 10 June 2019. Pursuant to the articles of association of the Company, all Directors (including the independent non-executive Directors) appointed by the Board shall hold office only until the next following general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board), and shall be eligible for re-election at that meeting. All Directors shall be subject to retirement by rotation at least once every three years and the retiring Director shall be eligible for re-election.

BOARD COMMITTEES

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

Remuneration Committee

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

The Remuneration Committee has adopted the approach under Code Provision B.1.2(c)(ii) of the CG Code and advised and made recommendations to the Board on the Group's overall policy and structure for the remuneration package of individual executive Directors and the senior management.

Details of the remuneration packages of the executive Directors and the information about the five highest paid individuals are set out in Note 11 of the Notes to the Consolidated Financial Statements. Remuneration packages of the senior management not disclosed in Note 11 of the Notes to the Consolidated Financial Statements for the year under review were in the band of nil to HK$1,000,000.

During the year ended 31 December 2019, two Remuneration Committee meetings was held. During the year ended 31 December 2019, the Remuneration Committee had reviewed the remuneration policy of the Company and the remuneration packages of certain Directors, reviewed and made recommendations to the Board in relation to the remuneration packages of the Directors and the senior management, and resolved the vesting arrangement of the shares of the Company which were vested on 1 April 2019 under the share award scheme ("Share Award Scheme") adopted by the Company in 2015.

Membership and Attendance Members	Attendance
Independent Non-executive Directors	
Mr. He Zhisong *(Chairman of the Remuneration Committee)*	2
Mr. Yang Rongkai	2
Mr. Poon Yick Pang Philip (retired following the conclusion of the 2019 AGM and one meeting was held on or before his retirement)	1
Mr. Kan Man Yui Kenneth (appointed on 10 June 2019 and no meeting was held on or after his appointment)	0

CORPORATE GOVERNANCE REPORT

Nomination Committee

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

The Board has adopted a board diversity policy which sets out the approach to achieve and maintain diversity of the Board in order to ensure the effectiveness of the Board. Appointment of the Board members is based on meritocracy and the candidates will be considered against objective criteria, having due regard to the benefits of diversity of the Board, including but not limited to gender, age, culture, educational background, professional experience, skills and knowledge. The Company will also take into account factors based on its own business model and specific needs from time to time. The process of the nomination of Directors is led by the Nomination Committee which has been made on a merit basis.

With effect from 1 January 2019, the Board also has established a director nomination policy ("Director Nomination Policy") for the purpose of enhancing transparency and accountability of the nomination process of Directors and enabling the Company to ensure the Board has a balance of skills and experience and diversity of perspectives appropriate to the requirements of the Company's business.

According to the Director Nomination Policy, selection criteria for assessing the suitability of a proposed candidate ("Candidate") which shall be taken as reference by the Nomination Committee are listed below:

(i) integrity and reputation;

(ii) accomplishment and experience;

(iii) commitment in respect of available time and relevant interest in the Group;

(iv) diversity of the Board, including but not limited to gender, age (18 years or above), professional experience, cultural and educational background, skills and knowledge;

(v) not being prohibited by law from being a Director; and

(vi) any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and its shareholders.

The above selection criteria are not exhaustive and conclusive. The Nomination Committee has the discretion to nominate any person as it considers appropriate.

CORPORATE GOVERNANCE REPORT

The Board has also amended the Company's procedures for the nomination of Directors, which has taken effect on 1 January 2019. Such amended procedures are set out below:

Procedures for nomination of a Director by the Directors

The Candidate will be asked to submit the necessary personal information, including information as required by Rule 13.51(2) of the Listing Rules and details on the Candidate's character, experience, independence and integrity for the purpose of Rules 3.09, 3.10 and 3.12 of the Listing Rules (when applicable), together with their written consent to be appointed as a Director and the supply and disclosure of his information as required under all applicable laws, rules and regulations. Upon obtaining the required information from the Candidate, the Nomination Committee shall convene a meeting to discuss and consider the recommendation of the Candidate to the Board for appointment as a Director. The Nomination Committee shall review whether the Candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and the policies of the Company. In particular, the Nomination Committee shall consider the potential contribution a Candidate can bring to the Board in terms of qualification, skills, experience, independence and gender diversity.

Procedures for nomination of Director by the shareholders of the Company

Shareholder(s) of the Company (each a "Shareholder") may nominate person(s), other than a retiring Director and the shareholder himself/herself, to be appointed as a Director ("Proposed Director"). The nominating Shareholder(s) should submit a duly signed written notice, together with the Proposed Director's Curriculum Vitae with contact details, a written record of the Proposed Director's willingness to be elected, copy of identification documents, information and details (including but not limited to details as required by Rule 13.51(2) or such other rules of the Listing Rules to be disclosed by the Company) of the Proposed Director, to the Company's principal place of business in Hong Kong. Acknowledgement of receipt will be provided by the Company. The Nomination Committee will review and consider if the Proposed Director is appropriate to be appointed as a Director. If the Proposed Director is considered appropriate, the resolution for the appointment of the Proposed Director will be inserted to the agenda of the general meeting (either an annual general meeting or extraordinary general meeting) or the adjourned annual general meeting and an announcement in relation such general meeting will be issued by the Company. If the Proposed Director is considered not appropriate, written notice with reasons will be given to the nominating Shareholder(s).

The Board considers that its current composition has achieved good diversity in terms of the educational background and professional experience of its members.

During the year ended 31 December 2019, three Nomination Committee meetings were held. During the meetings, the Nomination Committee had reviewed the structure, the number of members and the composition of the Board and recommended the Kan Appointment to the Board.

Membership and Attendance	
Members	**Attendance**
Independent Non-executive Directors	
Mr. He Zhisong *(Chairman of the Nomination Committee)*	3
Mr. Yang Rongkai	3
Mr. Poon Yick Pang Philip (retired following the conclusion of the 2019 AGM and one committee's meeting was held on or before his retirement)	1
Mr. Kan Man Yui Kenneth (appointed on 10 June 2019 and one committee's meeting was held after his appointment)	1

CORPORATE GOVERNANCE REPORT

Audit Committee

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

During the year ended 31 December 2019, five Audit Committee meetings were held. The Audit Committee had reviewed the Company's accounts, results for the year ended 31 December 2018 and results for the six months ended 30 June 2019 and recommended to the Board to adopt, approve and disclose the same in the annual and half-year reports of the Company. The Audit Committee had reviewed and agreed with the audit plan proposed by the Company's independent auditor, Deloitte Touche Tohmatsu. The Audit Committee had also recommended the Board to engage an independent consultant to review the Group's risk management and internal control systems. Based on the report from the independent consultant and the Audit Committee's review, the Audit Committee considered the risk management and internal control systems adopted by the Group, as so far reported, are effective and adequate.

Membership and Attendance Members	Attendance
Independent Non-executive Directors	
Mr. Poon Yick Pang Philip (Chairman of the Audit Committee till his retirement following the conclusion of the 2019 AGM, three committee's meetings were held on or before his retirement)	3
Mr. Kan Man Yui Kenneth (appointed as Chairman of the Audit Committee on 10 June 2019, two committee's meetings were held after his appointment)	2
Mr. He Zhisong	5
Mr. Yang Rongkai	5

Corporate Governance Committee

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

During the year ended 31 December 2019, one Corporate Governance Committee meeting was held. The Corporate Governance Committee had reviewed the Company's status of compliance with the CG Code and the Company's corporate governance report for the year ended 31 December 2018. The Corporate Governance Committee reviewed and approved the disclosure in this annual report regarding the deviation of the Group from Code Provision A.2.1 of the CG Code.

Membership and Attendance Members	Attendance
Executive Directors	
Mr. Chu Hui *(Chairman of the Corporate Governance Committee)*	1
Ms. Xia Yafang (appointed on 27 May 2019 and no meeting was held after her appointment)	0
Mr. Jiang Yongwei	1
Mr. Hao Minghui (retired following the conclusion of the 2019 AGM and one committee's meeting was held on or before his retirement)	1

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board recognises the importance of the integrity of financial information and acknowledges its responsibility for preparing interim and annual financial statements that give a true and fair view of the Group's affairs, results and cash flows in accordance with the Hong Kong Financial Reporting Standards and the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong). When presenting financial information, disclosing inside information and making other financial disclosures as required by regulations, the Board endeavours to present in a timely manner to the shareholders and other stakeholders of the Company a balanced and understandable assessment of the Group's performance, position and prospects. Accordingly, appropriate accounting policies are selected and applied consistently, and judgments and estimates made by the management for financial reporting purpose are prudent and reasonable. Prior to the adoption of the financial statements and the related accounting policies, the relevant financial information is discussed between the external auditor and the management, and then submitted to the Audit Committee for review.

The responsibilities of Deloitte Touche Tohmatsu, the external auditor of the Company ("Auditor"), are stated in the Independent Auditor's Report of the Company's annual report for the year ended 31 December 2019.

External auditor's remuneration

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

Nature of services	**31 December 2019** ***HK$'000***	31 December 2018 *HK$'000*
Audit services	**2,850**	2,820
Non-audit services (professional services regarding Rights Issue)	**600**	–
	3,450	2,820

CORPORATE GOVERNANCE REPORT

Risk management and internal control

The Board has overall responsibility for the risk management and internal control systems and reviewing their effectiveness, and it oversees these risk management and internal control systems through the internal audit department of the Group. The internal audit department of the Group reviews the material controls of the Group annually, which aims to cover all major operations of the Group. The internal audit department of the Group also reports review findings and recommends to the Board effective procedures to prevent any operation risk or insufficiency in the risk management and internal control systems of the Group. An internal audit function is in place and provides the Board with reasonable assurance that the risk management and internal control systems of the Group are effective and adequate. The Board (through the internal audit department of the Group) has conducted a review of the effectiveness of the risk management and internal control systems of the Group, covering the period from 1 January 2019 to 31 December 2019 in compliance with the requirements under Code Provision C.2 of the CG Code. The Board considered the risk management and internal control systems of the Group effective and adequate. The Board also reviews regularly the adequacy of resources, qualifications and experience of the staff of the Company, the Company's accounting, internal audit and financial reporting functions, and their training programmes and budget.

Process used to identify, evaluate and manage significant risks

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

Main features of risk management and internal control systems

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

SHAREHOLDERS' RIGHTS

General meetings

During the year ended 31 December 2019, the Company had arranged for the notice to its shareholders to be sent for its annual general meeting at least 20 clear business days before the meeting.

At the general meeting of the Company held during the year ended 31 December 2019, the chairman of the meeting will explain the detailed procedures for conducting a poll and will answer any questions from Shareholders on voting by poll.

Putting forward proposals at a general meeting

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

Procedure for shareholders to convene an EGM

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

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

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

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

CORPORATE GOVERNANCE REPORT

Shareholders' enquiries

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

The Company Secretary
Jiangnan Group Limited
Unit 09, 23/F, Metropole Square, No. 2 On Yiu Street, Shatin, New Territories., Hong Kong
Email: joseph.chan@jng1366.com
Tel No.: +852 3998 3093
Fax No.: +852 3998 3094

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

Investor relations and communication

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

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

Information disclosure

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

Constitutional documents

During the financial year ended 31 December 2019, there was no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

This is the Environmental, Social and Governance ("ESG") Report presented by the Company in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules. As the Group's operations are substantially based in the PRC, this ESG Report focuses on the environmental and social performance of the major operating subsidiaries of the Company during the year ended 31 December 2019, namely Wuxi Jiangnan Cable, Wuxi New Suneng, Zhongmei Cable, Jiangsu Kai Da and Wuxi New Sun in the PRC (collectively referred to as "PRC Subsidiaries"), which accounted for over 99% of the turnover of the Group for the year ended 31 December 2019.

MISSION AND VISION

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

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

The Board has overall responsibility for the development of the ESG strategies, policies and measures, and the effectiveness of the ESG risk and management and control systems of the Group while the management is responsible for the implementation thereof. While ESG awareness is promoted by the administrative department of the Company and its subsidiaries internally within the Group, other relevant departments of the members of the Group are responsible for implementing the ESG practices, collecting ESG data and ensuring ESG compliance by the Group in its daily operations. The management and various departments of the members of the Group are involved in implementing the Group's ESG practises as they understand the ESG aspects of the Group's business and they are able to analyse their importance to the Group and the stakeholders of the Company as a whole, so that the Group's ESG strategy can be implemented effectively.

ENVIRONMENTAL ASPECTS

Conservation of the environment is a key focus for the Group, and the Group is committed to conserving and improving the environment on a continuing basis.

Emissions

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has been closely controlling and managing its carbon emissions and other air emissions (including methane, nitrous oxide and hydrofluorocarbons), with a focus on the efficient operation of its factories in the PRC. The Group has also been working to reduce its emissions by improving its energy efficiency and reducing its wastes throughout its daily operations. While the PRC Subsidiaries are not subject to specific laws and regulations in relation to air emissions, greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes for their business operations, they have complied with all other relevant laws and regulations in relation to their business operations during the year under review. The Group's major wholly-owned subsidiary, Wuxi Jiangnan Cable, which accounted for nearly 75% of the turnover of the Group in 2019, has engaged China Quality Certification Centre to carry out an independent third-party external examination of its greenhouse gas emissions during the year under review. The certification issued by China Quality Certification Centre in May 2019 revealed that Wuxi Jiangnan Cable has complied with the required level of carbon emissions under ISO 14064-1:2006.

During the year under review, the major air pollutants emitted by the factories of the PRC Subsidiaries were carbon dioxide, methane, nitrous oxide and hydrofluorocarbons, which were also greenhouse gases. The following table summarises the greenhouse gas emissions generated by the PRC Subsidiaries during the year ended 31 December 2019.

Type of emissions	Quantity (Tonnes in carbon dioxide equivalent)		Intensity (Tonnes/cost of goods sold in thousand USD ("COGS(k$)"))	
	2019	2018	**2019**	2018
Carbon dioxide	**82,749**	72,057	**0.04**	0.04
Methane	**363**	306	**0.19×10^{-3}**	0.17×10^{-3}
Nitrous oxide	**36**	28	**0.19×10^{-4}**	0.16×10^{-4}
Hydrofluorocarbons	**1**	1	**0.54×10^{-6}**	0.56×10^{-6}

To reduce emissions from its daily operations, the Group has used energy-efficient gas-fired boilers instead of coal-fired boilers. Comparing with a coal-fired boiler, approximately 378 tonnes of standard coal can be saved by each gas-fired boiler in a year, assuming each gas-fired boiler operates 7,920 hours annually. The Group has therefore effectively reduced greenhouse gas and tiny dust emissions for the sake of improving the air quality of its factory sites through its use of gas fired boilers. The Group has also installed air pollutants collectors on certain machineries to reduce the emission of exhaust gas during operations and enhanced the rain and sewage diversion systems in certain of its factories to reduce the emission of sewage. During the year under review, the Group has adopted organic waste gas emission measures and machineries which has effectively reduced the emission of organic waste gas.

The Group has installed photovoltaic panels with capacity of approximately 18,900 kW on the roof of its production plants to generate solar energy mainly for the Group's own consumption. In 2019, the photovoltaic panels have generated approximately 20,062 MWh (2018: 19,289 MWh) of electricity, where approximately 16,829 MWh (2018: 16,070 MWh) was used for factory operations, approximately 1,938 MWh (2018: 1,916 MWh) was transmitted to local electricity grids and approximately 1,295 MWh (2018: 1,303 MWh) was sold to nearby third-party factories. According to the Group's estimate, the generation of electricity by such photovoltaic panels has allowed the Group to save the use of approximately 7,824 tonnes (2018: 7,523 tonnes) of standard coal on an annual basis, and reduce approximately 5,457 tonnes (2018: 5,247 tonnes) of dust emissions, approximately 20,002 tonnes (2018: 19,231 tonnes) of carbon dioxide emissions, approximately 602 tonnes (2018: 579 tonnes) of sulfur dioxide emissions and approximately 301 tonnes (2018: 289 tonnes of nitrogen oxides emissions with reference to the emission of one unit electricity generated by coal-fired power plant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Since the Group produced wires and cables mainly by physical transformation and assembling of already processed raw materials, only limited hazardous and non-hazardous wastes were produced. Therefore, the Group has not collected any data on the hazardous and non-hazardous wastes produced during the year under review. However, the Group has reused the non-hazardous wastes it produced and put them into production again. As a result, only insignificant amounts of non-hazardous wastes were disposed of during the year under review. For hazardous non-recyclable wastes such as wasted lubricating oil, the Group has outsourced the disposal of such hazardous wastes to relevant qualified operators.

Use of resources

The Group is principally engaged in the manufacture and trading of wires and cables. Resources such as raw materials (particularly copper and aluminium), electricity and water, are essential inputs to the Group's business, particularly to support the operation of its factories in the PRC. In 2019, the PRC Subsidiaries have consumed approximately 108,000 MWh or 0.06 MWh/COGS(k$) (2018: approximately 103,000 MWh or 0.06 MWh/COGS(k$)) of electricity, approximately 4,572,000 m^3 or 2.43 m^3/COGS(k$) (2018: approximately 6,083,000 m^3 or 3.38 m^3/COGS(k$)) of natural gas and approximately 476,000 tonnes or 0.25 tonnes/COGS(k$) (2018: approximately 580,000 tonnes or 0.32 tonnes/COGS(k$)) of water. Even though the production volume of the Group has increased during the year under review, there has been a decrease in the use of water and natural gas by the Group. It is mainly because that the Group has adopted a series of measures, including the recycling of cooling water and modifying the method of consuming natural gas according to industry experts' recommendations as well as addition of steam generators near the energy consumption sites to reduce energy loss during transmission to reduce wastage and enhance efficiency during operation.

The Group has established a comprehensive environmental management system, which improves the daily control of its environmental protection work, and incorporates elements of the "low-carbon, energy saving, green, environment-friendly" ideology into every detail of the Group's operations. The Group is committed to finding new ways to reduce its energy consumption while improving the quality of its products for its customers. The Group has installed two steam flow metres, which were connected to the energy management platform to allow the use of steam in the factories to be monitored on a real-time basis, so as to enhance the Group's energy management efficiency.

The energy consumed by the factories of the PRC Subsidiaries accounted for most of the energy consumed by the PRC Subsidiaries during the year under review. Wasted raw materials and defective products are reused and recycled in the PRC Subsidiaries' daily production. Water consumed by the PRC Subsidiaries is solely supplied by an authorised water supply corporation, and the PRC Subsidiaries have no issue in sourcing water fit for their purpose. The PRC Subsidiaries require their staff to check the water supply pipes and valves regularly to avoid wastage of water resources.

As the products of the Group are wires and cables that are to be installed inside and/or outside buildings and/or on machinery in accordance with the requirements of its customers, only limited packaging materials are needed for delivery of the products to customers. As a result, the Group has not collected any data on the total packaging materials used for its finished products during the year under review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environment and natural resources

The Group's business is not subject to specific environmental laws and regulations as the Group's operations involve direct physical transformation and assembling of already processed raw materials which do not have significant direct impacts on the environment and natural resources. Nevertheless, the Group is committed to operating a business that contributes to environmental care and sustainability. To help promoting environmental awareness among the Group's employees, the Group encourages the use of recycled papers for printing and copying, promotes double-sided printing and copying, sets up recycling bins, and reduces energy consumption by switching off idle lightings, air conditioning and electrical appliances. In addition, the Group has made constant capital investments in energy-efficient machinery to replace existing old machinery so as to boost economic efficiency and energy saving. The Group reviews its environmental practices from time to time and considers implementing further ecofriendly measures, sustainability targets and practices in the operation of the Group's business to embrace the principles of "reduce, recycle and reuse", and to further minimise its impacts on the environment and natural resources.

The Group was accredited as one of the first state-level "Green Factories" by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部).

SOCIAL ASPECTS

Employment and labour practices

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

Employment

The Group recruits talents in accordance with the principles of openness, equality, competence and competitive selection. The Group's employment practices do not take into consideration factors which are irrelevant to the competence and qualifications of the candidates, such as their gender, disability, pregnancy, family status, race, colour, religion, age, sexual orientation and national origin. As at 31 December 2019, the Group had a total of 3,284 (31 December 2018: 3,169) full-time employees employed by the PRC Subsidiaries, whereas the overall employee turnover rate of the PRC Subsidiaries was about 7.8% (2018: 29.3%).

Breakdown of employees of the PRC Subsidiaries by gender

	Number of employees	
Gender	**31 December 2019**	31 December 2018
Male	**1,985**	2,180
Female	**1,284**	989
Total	**3,269**	3,169

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Breakdown of employees of the PRC Subsidiaries by age

Age	Number of employees		Percentage of total workforce	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
18–30	**712**	817	**21.8%**	25.8%
31–40	**946**	865	**28.9%**	27.3%
41–50	**1,017**	1,017	**31.1%**	32.1%
51 and above	**594**	470	**18.2%**	14.8%
Total	**3,269**	3,169	**100.0%**	100.0%

Breakdown of employees of the PRC Subsidiaries by location of work

Location of work	Number of employees		Percentage of total workforce	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
Mainland China	**3,267**	3,161	**99.9%**	99.7%
South Africa	**2**	8	**0.1%**	0.3%
Total	**3,269**	3,169	**100.0%**	100.0%

Based on the figures stated above, the male to female percentage ratio within the PRC Subsidiaries as at 31 December 2019 was approximately 61:39 (31 December 2018: 69:31). The predominance of males was due to the market practice that a higher proportion of male employees serve as technicians in the workshops of the PRC Subsidiaries. The PRC Subsidiaries will continuously work on improving the balance of gender for those departments that have a heavier weighting of male employees, for example by using new technology to reduce the physical demands of certain jobs making them suitable for female employees.

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

The Group has adopted a share award scheme ("Share Award Scheme") to recognise the contributions made by certain employees, executives, officers and directors and to give incentives in order to retain them for the continuing operation and development of the Group and to attract suitable talents for further development of the Group. 35,300,000 ordinary shares of the Company were granted to 4 directors and 17 selected employees in 2016 pursuant to the Share Award Scheme. During the year ended 31 December 2019, 7,800,000 of the shares granted were vested according to the Share Award Scheme and 25,000 of the shares to be awarded were forfeited due to the non-fulfilment of certain performance conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group promotes work-life balance and encourages its employees to pursue their personal interests and live a healthy and fulfilling life. The Group offers adequate rest periods and overtime pay to its employees according to the Labour Law of the PRC and all other relevant labour laws and regulations under which the Group operates.

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

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

Health and safety

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

In addition, the Group has engaged an independent qualified third party to check and review its workplace environment and conditions (including but not limited to the noise level, the temperature in the working environment, the lighting condition and the exposure to harmful materials) to ensure the Group's workshops are harmless to its employees. Upgrades and maintenance of tools, offices and equipment are performed to cope with the needs and demand of the employees. The Group has provided free health check programmes and training courses on work safety, first aid and occupational health to its employees annually to keep them aware of work safety and healthy physically and mentally. Employees are also provided with medical insurance benefits and are required to attend health awareness training programmes.

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

The Group was awarded the Certificate of Safety Production Standardisation* (安全生產標準化證書) issued by the Wuxi City Safety Production Monitoring Authority* (無錫市安全生產監督管理局), and was honoured as a Advanced Managing Corporate* (先進理事單位) by the Quality Management Association of Jiangsu Province* (江蘇省品質協會) in 2017.

There were no (2018: nil) work-related fatalities and about 3,986 (2018: 4,374) lost days, representing 0.4% (2018: 0.5%) of total work days due to sickness and work injury in relation to the operations of the PRC Subsidiaries in 2019.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and training

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

In 2018 and 2019, all employees and management of the PRC Subsidiaries attended different types of training programmes. The following tables summarise the training programmes, mainly internal seminars provided to the employees of the PRC Subsidiaries, which covered various job-related hard and soft skills, such as leadership, team building and personal effectiveness.

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

	Number of attendance		Number of hours trained		Average number of training hours	
Gender of attendees	**2019**	2018	**2019**	2018	**2019**	2018
Male	**4,996**	4,338	**12,245**	11,332	**2.5**	2.6
Female	**3,265**	5,385	**8,143**	16,002	**2.5**	3.0
Total	**8,261**	9,723	**20,388**	27,334	**2.5**	2.8

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

	Number of attendance		Percentage of participants	
Level of attendees	**2019**	2018	**2019**	2018
Senior management	**243**	131	**2.9%**	1.3%
Middle management	**690**	444	**8.4%**	4.6%
General staff	**7,328**	9,148	**88.7%**	94.1%
Total	**8,261**	9,723	**100.0%**	100.0%

Other than on-the-job trainings, internal seminars and the e-learning platform provided to its employees, the Group also encourages staff participation in external seminars and workshops to keep its employees abreast of changes and updates on different areas, including but not limited to legal, compliance, financial accounting and reporting, and industry technology and practices.

With all-round training, the employees' knowledge and understanding in the business objectives and operations, occupational and management knowledge and skills are enhanced and aligned with the requirements of the Group, which are all conducive to improving the efficiency, productivity and overall reduction of the risks and uncertainties of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour standards

The Group is committed to protecting human rights. The Group complies with all relevant laws and regulations and the requirements of the governing authorities which may have a significant impact on the business of the Group. All the Group's employees are aged over 18 and no child labour has been employed, as it is the Group's policy to perform checks (including employee identity check) at the time of recruitment to prevent and prohibit child labour and forced labour. The Group strives to create an environment of respect, integrity and fairness for its employees. The Group has complied with all relevant laws and regulations in respect of forced labour and child labour in the PRC during the year ended 31 December 2019.

During the year under review, the Group has provided different training and quiz contests to promote the knowledge of production safety laws and rules, labour laws and other related laws and rules for employees.

Operating practices

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

Supply chain management

Supplier relationship is one of the key factors for the Group to achieve sustainable business growth. The Group exercises a high level of scrutiny over the selection of its suppliers and encourages its suppliers to act responsibly and adhere to the Group's ESG standards. The Group has thousands of suppliers, over 90% of which are located in the PRC. The Group has built harmonious relationships with its major suppliers over the years that serve to smooth out its production flow and enhance its productivity. The Group has established procurement control procedures to ensure the quality of the raw materials provided by its suppliers. The Group has carried out long-term quality monitoring and regular reviews over its major suppliers and subcontractors. The Group encourages its suppliers to take measures to reduce their environmental and social risks, thus moving towards sustainable development. Suppliers of the Group are subject to regular on-site assessment on product quality as well as suitability by the Group. In case there is any significant change in the suppliers' qualifications, serious quality issue or contradiction between the suppliers' ESG practices and the Group's ESG standards, the Group may remove the relevant suppliers from its supplier list.

Product responsibility

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

The Group views data privacy as a key operating principle. The employees of the Group are required to retain in confidence all information obtained in connection with their employment, including but not limited to, trade secrets, know how, customer information, supplier information and other proprietary information. The Group advertises and labels its products according to the industry practices and standards, as well as all relevant laws and regulations.

To protect intellectual property rights, all the Group's products are produced with the relevant certificates. In 2019, the Group has obtained 377 (2018: 397) patents in China for its products, with 94 (2018: 94) products being designated as "High Technology Products" in Jiangsu Province and 5 (2018: 5) products being awarded as "National Key New Products". The Group has established a policy and worked with governmental authorities to prevent fake products from being produced and to protect the Group's intellectual property rights. The Group has established channels for its customers to file their complaints with respect to the products, to allow the Group to assess the situations and follow up with the appropriate actions of redress, including product repair and product recall. In 2019, none of the products of the Group (2018: nil) was recalled due to health and safety reasons and the Group had received 35 (2018: 32) complaints from its customers, where all such complaints had been resolved through communication, repair and redistribution of the products.

There was no known issue regarding material non-compliance with the relevant laws and regulations that would have any significant impact on the business of the Group in respect of health and safety, advertising, labelling and privacy matters relating to the products of the Group during the year ended 31 December 2019.

The Group was awarded a number of awards in relation to product quality, such as "AEO Customs Advanced Certification"* (海關高級認證 AEO) by the Nanjing Customs Department of the PRC (中華人民共和國南京海關), "2017–2019 Jiangsu Material Cultivating and Developing International Famous Brands"* (2017–2019年度江蘇省重點培育和發展的國際知名品牌) by the Department of Commerce of Jiangsu Province (江蘇省商務廳), "Jiangsu Famous Brand Certificate"* (江蘇省名牌產品証書) by "Jiangsu Brand Strategy Promotion Committee"* (江蘇省品牌戰略推進委員會), "National Customer Grade A Satisfaction Benchmarking Enterprise"* (全國市場質量信用A等用户 意標杆企業) by "National User Committee"* (全國用戶委員會) under "China Association for Quality"* (中國質量協會), "Top 50 Original Industrial Brand Names in Jiangsu Province"* (江蘇省自主工業品牌五十強) by Jiangsu government, and "Top 10 Competitors in China Cables Industry" (中國線纜行業最具競爭力企業10強) by "China Cables Industry Most Competiting Enterprise Jury"* (中國線覽行業最具競爭力企業評委會).

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-corruption

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

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

The non-compliance of any relevant laws and regulations in respect of anti-corruption will have a significant impact on the business of the Group. However, the Group has complied with all such relevant laws and regulations, and no legal case against the Group in respect of bribery, extortion, fraud and money laundering has been recorded during the year ended 31 December 2019.

Community

Community investment

The Group is committed to participating in various community events, making donations and providing sponsorships to charitable organisations from time to time, and to the improvement of community well-being and social services where it operates. The Group supports and encourages its employees to actively participate in a wide range of charitable events outside working hours, to raise awareness and concern for the community, and to inspire more people to take part in serving the community. It is the policy of the Group to participate in community services to gain an understanding of the needs of the communities in which it operates, so as to enable the management of the Group to formulate policies and objectives which are in line with the interests of those communities.

Highlights

Beneficiaries	Main Activities
Students 	• **Internship Programmes & Site Visits:** In 2019, the Group offered 103 internship positions in different departments to students from various colleges and universities, while permanent jobs within the Group were also offered to 66 students. • **Employment of Fresh Graduates:** In 2019, the Group employed 68 fresh graduates with tertiary education or above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Beneficiaries	Main Activities

Community

- **Donation to Local Schools:** In 2019, the Group has donated hundreds of thousands RMB to local schools for upgrading school facilities for students and rewarding the teachers with outstanding performance.

- **Established "Sponsorship and Education Fund" (捐資助學基金):** The Group has sponsored over RMB10 million in infrastructure, construction and education aspects, such as green engineering projects, nursing homes and cinemas in recent years.

- **Committed Donation:** The Group has committed to the Yixing City Charity Association to donate at least RMB10 million for the social charity development in the coming ten years since 2018.

- **Visit Local Elderly:** The Group arranged employees to visit and provide aid to the elderly in local nursing home.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Beneficiaries	Main Activities
Employees	• **Jiangnan Group "Love Fund" (愛心基金):** The Group has established the "Love Fund" to encourage its employees to help the employees in need within the Group and promote mutual assistance within the Group. • "**Youth Employees Networking Event**"(**青年職工聯誼活動**)**:** The Group held an event for youth employees with other local enterprise for social networking activities in order them have a better and healthier social life.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

Mr. Chu Hui ("**Mr. Chu**"), aged 48, was appointed as the Chief Executive Officer on 7 July 2014, an executive Director on 18 July 2013 and the Chairman on 30 May 2016. He has also been the chairman of the Corporate Governance Committee since 30 May 2016. He has over 23 years of experience in the wire and cable industry in the PRC. From May 2005 to December 2014, he was the chairman, an executive director and a general manager of Zhongmei Cable, which is now a wholly-owned subsidiary of the Company, and has been responsible for the overall management of production, operation, sales and administration matters in Zhongmei Cable. Mr. Chu has been a director of Extra Fame Group Limited, Jiangnan Cable (HK) Limited and Wuxi Jiangnan Cable, all being wholly-owned subsidiaries of the Company, since July 2014. Mr. Chu has been a director of Jiangnan Power Assets Limited and Jiangnan Power Assets (HK) Limited, both being wholly-owned subsidiaries of the Company, since September 2015. From June 2003 to November 2004, he was the executive director and general manager of Wuxi Zhongnan Mining Cable Co. Ltd. (無錫中南礦纜有限公司). From November 2001 to May 2003, he was the deputy general manager of Wuxi Jiangnan Wire and Cable Co., Ltd (無錫市江南線纜有限公司) ("Wuxi Jiangnan Wire"). From November 1997 to October 2001, he was the factory director of Shanghai Asahi Cable Factory (上海滬旭電纜廠). From December 1994 to October 1997, he was engaged in the sales and marketing of wires and cables.

Mr. Chu became the chairman of the 1st council of Yixing Hi-tech Enterprise Association (宜興市高新技術企業協會) in January 2019. He had also been the vice-chairman of the 2nd Governing Council of the Jiangsu Province Coal Mining Machinery Industry Association, and a general committee member (常務理事) of Yixing City Charity Association (宜興市慈善會).

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

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

As at the date of this annual report, Mr. Chu is the sole director of each of (i) 無錫光普投資有限公司, which is wholly-owned by Mr. Chu and which wholly-owns Spectrum Investment (HK) Limited ("Spectrum HK"); (ii) Spectrum HK, which wholly-owns Power Heritage Group Limited ("Power Heritage"); and (iii) Power Heritage. Each of 無錫光普投資有限公司, Spectrum HK and Power Heritage is a shareholder of the Company which has an interest in the shares of the Company that would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong.

The spouse of Mr. Chu is a cousin of the spouse of Mr. Jiang Yongwei (an executive Director).

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

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

Ms. Xia Yafang ("**Ms. Xia**"), aged 47, was appointed as a Director on 26 January 2011, the executive vice president on 25 February 2012 and an executive Director on 20 April 2012. She is also a member of the Corporate Governance committee and a director of a number of companies in the Group. She joined the Group in 2004. Ms. Xia is in charge of the Group's overall day to day operations. She was appointed as the chief engineer of Wuxi Jiangnan Cable in August 2011. Ms. Xia has over 24 years of experience in the wire and cable industry in the PRC. From April 2001 to January 2004, she was a director of the technology department and the vice general manager of Wuxi Jiangnan Wire. From March 1996 to March 2001, Ms. Xia was the engineer for cable research technology and the director of crosslinked cable factory of Wuxi Far East Cable Factory. During this tenure, Ms. Xia was in charge of the production and daily operations of the factory. From July 1992 to February 1996, Ms. Xia worked at Wuxi City Jiangnan Cable Factory as a technician. Ms. Xia graduated from the Nanjing Jinling Institute of Technology (formerly known as Nanjing Polytechnic University) with an associate degree in mechanical and electrical engineering in July 1992. Ms. Xia was qualified as a senior economist in November 2005 and a senior engineer in September 2007, both by the Jiangsu Province Personnel Department.

Mr. Jiang Yongwei (蔣永衛), vice president

Mr. Jiang Yongwei ("**Mr. Jiang**"), aged 53, was appointed as a vice president and a Director on 25 February 2012 and an executive Director on 20 April 2012. He is also a member of the Corporate Governance Committee and a director of a number of companies in the Group. Mr. Jiang joined the Group in February 2004. He is the head of the production department responsible for the Group's production management. He has over 26 years of experience in the wire and cable industry in the PRC. Mr. Jiang has been a director of Wuxi Jiangnan Cable since February 2004. Mr. Jiang served as a vice general manager of Wuxi Jiangnan Wire from August 1997 to February 2004 and was responsible for its overall production. From January 1990 to July 1997, Mr. Jiang was a director of the infrastructure department of Wuxi Jiangnan Wire. Mr. Jiang graduated from the Southeast University with a master's degree in business administration in July 2004. Mr. Jiang was qualified as a senior economist in November 2005 by the Jiangsu Province Personnel Department. The spouse of Mr. Jiang is a cousin of the spouse of Mr. Chu, the Chairman, the Chief Executive Officer and an executive Director .

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. He Zhisong (何植松)

Mr. He Zhisong ("**Mr. He**"), aged 50, was appointed as a Director on 25 February 2012 and an independent non-executive Director on 1 March 2012. He is also the chairman of each of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee. Mr. He is a partner of Zhong Lun Law Firm. From July 1996 to February 2002, he worked for the Justice Bureau of Zhuhai, Guangdong. From November 1994 to July 1996, he was a partner of Zhuhai Sanlian Law Firm. From July 1992 to November 1994, Mr. He worked in the government of the Jinwan (formerly known as Sanzao) district of Zhuhai. Mr. He obtained a bachelor's degree and a master's degree in law from the Southwest University of Political Science and Law and the Renmin University of China in July 1992 and July 1999, respectively.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang Rongkai (楊榮凱)

Mr. Yang Rongkai ("**Mr. Yang**"), aged 60, was appointed as a Director on 25 February 2012 and an independent non-executive Director on 1 March 2012. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Yang has served as the head of the Electric Equipment Inspection and Test Centre Cable Quality Inspection Station of State Grid Electric Science Research Institute (formerly known as Wuhan High Voltage Research Institute, which was then renamed as State Grid Wuhan High Voltage Research Institute in 2007 and was subsequently merged with State Grid Nanjing Automation Research Institute and named as State Grid Electric Science Research Institute in 2008 (hereinafter called "Electric Science Research Institute")) since July 2008. Mr. Yang has been a member of the Preparatory Team of the Cable Group of the State Grid Electric Power Research Institute since April 2011. Since 2013, he has been the deputy director of the Research and Development Centre of Intelligent Electrical Equipment Division. He was the deputy chief of the Cable Technology Research Institute and the deputy head of the Cable Quality Inspection Station of Electric Science Research Institute from January 2007 to July 2008. From December 2005 to December 2006, he was the chief engineer of Cable Technology Research Centre and the deputy head of the Cable Quality Inspection Station of Electric Science Research Institute. From October 1985 to December 2006, Mr. Yang held various positions in Electric Science Research Institute, including engineer and senior engineer, and was the deputy chief of the Cable Quality Inspection Station. He was appointed as the deputy secretary general at the Electricity Industry Power Cable Standardisation Technology Committee in June 2001. Mr. Yang graduated from the China Electric Power Research Institute with a master's degree in engineering in December 1985. Mr. Yang was qualified as a senior engineer by the Department of Electric Power of Electric Science Research Institute in December 1992.

Mr. Kan Man Yui Kenneth (簡民銳)

Mr. Kan Man Yui Kenneth, aged 54, was appointed as an independent non-executive Director on 10 June 2019. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. Mr. Kan has over 20 years of experience in the area of accounting and auditing for both listed and private companies in Hong Kong and the PRC. Mr. Kan was the head of the audit and investigation department of Agile Group Holdings Limited (formerly known as Agile Property Holdings Limited) (stock code: 3383), a company listed on the Main Board of the Stock Exchange, from June 2007 to January 2015. Mr. Kan had also served in the audit and compliance areas for companies, including American International Group, Inc., Kowloon-Canton Railway Corporation, Hong Kong Trade Development Council and Standard Chartered Securities Limited. Mr. Kan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Kan obtained his Honours Diploma in Business Management from the Hong Kong Baptist University (formerly known as the Hong Kong Baptist College) in December 1989, a bachelor's degree in finance from the Hong Kong Baptist University in January 1992 and a master's degree in business administration from the Heriot-Watt University in July 1998.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

COMMITTEES

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

Board committee Director	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Chu Hui				C
Xia Yafang				M
Jiang Yongwei				M
He Zhisong	M	C	C	
Yang Rongkai	M	M	M	
Kan Man Yui Kenneth	C	M	M	

Notes:

C: Chairman of the relevant Board committees

M: Member of the relevant Board committees

SENIOR MANAGEMENT

Mr. Chan Man Kiu (陳文喬) ("**Mr. Chan**"), aged 58, is the chief financial officer of the Company and the Company Secretary. He is also a director of a number of companies in the Group. Mr. Chan joined the Group in January 2011. Mr. Chan has over 30 years of experience in the field of finance and operations. From June 2007 to December 2010, Mr. Chan served as the deputy chief operating officer in Xinhua Sports and Entertainment Limited. From March 2001 to May 2007, Mr. Chan was the finance director and managing director in business development of Xinhua Finance Limited. From January 1990 to February 2001, he held different managerial roles in Jardine Fleming. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan obtained his Professional Diploma in Accountancy from the Hong Kong Polytechnic in November 1984 and EMBA from the City University of Hong Kong in November 2003.

Mr. Cao Shunkang (曹順康) ("**Mr. Cao**"), aged 49, is the financial controller of the Group in China. Mr. Cao joined Zhongmei Cable, a subsidiary of the Group in 2004. He was appointed as the financial controller of Wuxi Jiangnan Cable in September 2014 and responsible for accounting and financial matters of the Group's operations in China. From July 1997 to May 2003, Mr. Cao was an accountant in Yixing Xin Fang Supply and Marketing Cooperation. He has rich experience in statistics, accounting, office administration and operation controls. Mr. Cao is a qualified accountant in China. Mr. Cao studied management and economics and graduated from the Jiangnan University in 1991. Mr. Cao furthered his study in finance and graduated from the China University of Geosciences in 2013.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company and its subsidiaries now composing the Group are principally engaged in the manufacture and trading of wires and cables for power transmission, distribution systems and electrical equipment. The activities of its subsidiaries are set out in Note 43 of Notes to the Consolidated Financial Statements.

The details of business review are set out in the "Management Discussion and Analysis" ("MD&A") in this annual report on page 18. A discussion of the future developments of the Group's business is set out in the "Chairman's Statement" in this annual report on pages 13 to 15. An analysis of the Group's performance is set out on pages 18 to 26. A discussion of the Group's principal risks and uncertainties is set out in the MD&A in this annual report on pages 27 to 28.

EVENT AFTER THE REPORTING PERIOD

Since the outbreak of COVID-19 in China in early 2020, the Chinese government implemented various prevention and emergency measures, such as a partial lockdown policy and extending the holiday of Chinese New Year, in order to minimise the population movement to mitigate the threat of spreading the epidemic across China. It is anticipated that the epidemic situation would have certain negative impacts on the production and sales of the Group in the first quarter of 2020. The outbreak of COVID-19 is a non-adjusting event after the reporting period and does not result in any material adjustments to the unaudited consolidated financial statements of the Group for the year ended 31 December 2019. The Group will continue to monitor the development of the epidemic and perform further assessment of its impacts.

Furthermore, the outbreak of COVID-19 has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays and increased demand for working capital. The Group has put in place contingency measures to lower the impact from this outbreak.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group values the importance of protecting the environment in its process of operations. The Group has complied with the laws and regulations regarding environmental protection and adopted effective measures to achieve efficient use of resources and energy saving. Green initiatives and measures have been adopted in the Group's operations. More details are set out in the section headed "Environmental Aspects" in the ESG Report in this annual report on pages 43 to 46.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has established compliance and risk management policies and procedures, and its senior management has been delegated with the responsibility to monitor the Group's compliance with all significant legal and regulatory requirements. These compliance and risk management policies and procedures are reviewed regularly. As far as the Company is aware, it has complied with the relevant laws and regulations, such as the Law of the PRC on Enterprise Income Tax, the Company Law of the PRC, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Labour Law of the PRC, that have a significant impact on the business and operations of the Group in material respects during the year under review.

RELATIONSHIPS WITH KEY STAKEHOLDERS

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

DIRECTORS' REPORT

Employees

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

Customers

The Group is committed to offering its customers quality products to the best of its ability. During the year under review, the Group maintained effective communications with its customers through various channels, such as telecommunication through salespersons and interviews with key customers. The Group believes that feedback from its customers' would help the Group to identify areas of improvement and hence to achieve excellence. The Group has established over ten years of business relationships with thousands of customers, most of which are well-known companies such as SGCC, China Southern Power Grid Co., Ltd, PowerWorks and subsidiaries of Evergrande Group. In particular, SGCC is one of the Group's major customers. The credit terms granted to the Group's major customers are in line with those granted to the Group's other customers. The Group is keeping up its efforts in expanding its markets and optimising its customer portfolio. For a detailed discussion of the credit terms granted to the Group's customers, and the recoverability and the concentration of credit risk of the Group's trade receivables, please refer to Note 22 of Notes to the Consolidated Financial Statements and the paragraph headed "2. Credit risk" in the section headed "Principal Risks and Uncertainties" of the MD&A in this annual report respectively.

Suppliers

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 79 and the state of affairs of the Group as at 31 December 2019 is set out in the consolidated statement of financial position on page 80.

Subsequent to the end of the reporting period, the Board recommended a final dividend ("Final Dividend") of HK0.5 cent per share for the year ended 31 December 2019 (year ended 31 December 2018: nil) to the shareholders of the Company which is subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 10 June 2020 ("AGM").

Subject to the approval of the shareholders of the Company at the AGM, it is expected that the Final Dividend will be paid on or around 6 July 2020 to the shareholders of the Company whose names appear in the register of members of the Company on 24 June 2020.

Reserves

Movements in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity on page 81.

The Directors consider that the Company's reserves available for distribution to shareholders comprise the share premium, the special reserve and the accumulated profits which amounted to approximately RMB2,651,786,000 (31 December 2018: RMB2,080,396,000) in aggregate as at 31 December 2019. Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

Dividend policy

The Board has adopted a dividend policy ("Dividend Policy") which has taken effect from 1 January 2019. The Dividend Policy allows the Company to declare interim dividends or special dividends from time to time in addition to the final dividends. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia:

(i) the financial condition of the Group;

(ii) the prevailing economic climate;

(iii) the Group's earnings and cash flow;

(iv) the Group's expected capital requirements;

(v) the statutory fund reserve requirements;

(vi) the retained earnings and distributable reserves of the Company and each of the members of the Group; and

(vii) any other factors that the Board deems appropriate.

Declaration and payment of dividend by the Company is also subject to the articles of association of the Company and the laws of the Cayman Islands.

The Dividend Policy will continue to be reviewed from time to time by the Board and there can be no assurance that any dividend will be proposed or declared in any given period.

DIRECTORS' REPORT

USE OF NET PROCEEDS

Net proceeds from the Initial Public Offering ("Listing")

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$448.1 million. The amount of unutilised net proceeds from the Listing of approximately HK$57.0 million was brought forward in the year of 2018. The actual use of the net proceeds from the Listing as at 31 December 2019 are as follows:

	Intended use of net proceeds as stated in the prospectus of the Company dated 10 April 2012 HK$'million	Actual use of net proceeds as at 31 December 2019 HK$'million
Setting up production facilities for aluminium alloy and double capacity conductors	115.0	115.0
Setting up a manufacturing facility in South Africa	97.0	97.0
Upgrade and expansion of existing production facilities and enhancement of research and development capabilities	74.0	74.0
Potential acquisitions of the Group	14.1	14.1
Expansion of the Group's production facilities for high and extra-high voltage cables	148.0	96.5
Total	448.1	396.6

During the year under review, the net proceeds from the Listing of approximately HK$5.5 million were used in the expansion of the Group's production facilities for high and extra-high voltage cables. As at the date hereof, the unutilised net proceeds from the Listing amounted to approximately HK$51.5 million, which are expected to be used in the expansion of the Group's production facilities for high and extra-high voltage cables in the coming two years.

Net proceeds from the Rights Issue

On 26 August 2019, the Company announced to raise approximately HK$571.0 million before expenses by way of the Rights Issue. The subscription price of HK$0.28 per Rights Share represented a discount of 13.8% to the closing price of HK$0.325 per share of the Company on 26 August 2019, being the date of the underwriting agreement for the Rights Issue. The Directors considered that it is prudent to finance the Group's long term growth by way of the Rights Issue which will not only strengthen the Group's capital base and enhance its financial position without increasing finance costs, but will also allow all qualifying shareholders of the Company the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the then current market price of the shares of the Company.

The completion of the Rights Issue took place on 22 October 2019. A total of 2,039,433,000 ordinary shares of the Company were allotted and issued to the qualifying shareholders of the Company pursuant to the Rights Issue and the subscribers procured by the underwriter pursuant to the underwriting agreement for the Rights Issue and the net proceeds after deduction of expenses from the Rights Issue were approximately HK$555.5 million. On this basis, the net issue price per Rights Share was approximately HK$0.27 and the aggregate nominal value of the Rights Shares was HK$20,394,330. Details of the Rights Issue are set out in the Company's announcements dated 26 August 2019 and 22 October 2019 and the prospectus of the Company dated 27 September 2019. The actual use of the net proceeds from the Rights Issue as at 31 December 2019 are as follows:

	Intended use of net proceeds as stated in the prospectus of the Company dated 27 September 2019 HK$'million	Actual use of net proceeds as at 31 December 2019 HK$'million	Unutilised net proceeds as at 31 December 2019 HK$'million
Expansion of the Group's production facilities for mid-rated voltage power cables	218.2	19.9	198.3
Upgrade and development of the Group's production facilities for flexible fire-proof cables	37.9	3.0	34.9
Upgrade and expansion of the Group's existing production facilities and management systems	46.9	28.3	18.6
Repayment of borrowings of the Group	120.0	120.0	–
Potential investment or acquisitions of the Group	110.0	–	110.0
General working capital of the Group	22.5	22.5	–
Total	555.5	193.7	361.8

The unutilised net proceeds from the Rights Issue are expected to be used according to the intended use of net proceeds as stated the the prospectus of the Company dated 27 September 2019 in the coming three years.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 144.

An analysis of the Group's results by segment for the year ended 31 December 2019 is set out in Note 5 of Notes to the Consolidated Financial Statements.

SHARE CAPITAL

Details of movements during the year ended 31 December 2019 in the share capital of the Company are set out in Note 32 of Notes to the Consolidated Financial Statements.

SHARE PREMIUM AND RESERVES

Details of movements during the year ended 31 December 2019 in the share premium and reserves of the Group are set out in the consolidated statement of changes in equity on page 81.

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report are:

Chairman, Chief Executive Officer and Executive Director

Mr. Chu Hui

Executive Directors

Ms. Xia Yafang
Mr. Jiang Yongwei
Mr. Hao Minghui (retired following the conclusion of the 2019 AGM)

Independent Non-executive Directors

Mr. He Zhisong
Mr. Yang Rongkai
Mr. Poon Yick Pang Philip (retired following the conclusion of the 2019 AGM)
Mr. Kan Man Yui Kenneth (appointed on 10 June 2019)

In accordance with Article 84(1) of the Company's articles of association, each of Mr. Jiang Yongwei and Mr. Yang Rongkai will retire from his office of Director by rotation and each of them being eligible, will offer himself for re-election at the AGM.

In accordance with Article 83(3) of the Company's articles of association, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Mr. Kan Man Yui Kenneth, who was appointed by the Board as an independent non-executive Director with effect from 10 June 2019 to fill the causal vacancy resulted from the retirement of Mr. Poon Yick Pang Philip until the first general meeting of the members of the Company after his appointment, shall retire at the AGM and, being eligible, will offer himself for re-election at the AGM.

The Directors' biographical information is set out on pages 55 to 57.

Information regarding the Directors' emoluments is set out in Note 11 of Notes to the Consolidated Financial Statements.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company pursuant to which he/she agreed to act as a Director for a fixed term of three years with effect from 20 March 2018 to 19 March 2021, save and except for Mr. Chu Hui ("Mr. Chu") who has separately entered into a service contract and a supplementary contract with the Company, pursuant to which Mr. Chu was appointed as an executive Director for a fixed term from 18 July 2015 to 31 December 2020. Each of the independent non-executive Directors has been re-appointed for a fixed term of three years from 1 March 2018 to 28 February 2021, save and except for Mr. Kan Man Yui Kenneth ("Mr. Kan") who has separately been appointed for a fixed term of three years from 10 June 2019 to 9 June 2022.

Save as disclosed above, none of the Directors being proposed for re-election at the AGM has a service contract with the Company or any of the subsidiaries of the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the SFO, Chapter 571 of the Laws of Hong Kong) as recorded in the register maintained by the Company under section 352 of the SFO, or which were required to notify the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the issued shares of the Company

Name of Directors	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of interest *(Note 1)*
Mr. Chu Hui	Interest of controlled corporations	1,888,257,000 *(Note 2)*	30.86%
	Beneficial owner	252,429,000 *(Note 3)*	4.13%
Ms. Xia Yafang	Beneficial owner	1,668,000	0.03%
	Interest of spouse	1,500,000 *(Note 4)*	0.02%
Mr. Jiang Yongwei	Beneficial owner	1,500,000	0.02%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 31 December 2019 (i.e. 6,118,299,000 shares) has been used for the calculation of the approximate percentage of interest.

(2) These shares were held by Power Heritage, a company wholly-owned by Spectrum HK, a wholly-owned subsidiary of 無錫光普投資有限公司, which is wholly-owned by Mr. Chu Hui. Mr. Chu Hui is deemed to be interested in the shares held by Power Heritage by virtue of the SFO.

(3) These shares represent 252,429,000 shares held directly by Mr. Chu Hui. On 9 October 2019, the Company was notified that Power Heritage and Mr. Chu Hui had pledged 1,258,838,000 ordinary shares and 168,286,000 ordinary shares in the issued share capital of the Company respectively, representing approximately 20.57% and 2.75% of the issued share capital of the Company as at the date of this report respectively, in favour of an independent third party (meaning ascribed to it in the Listing Rules), as security for a loan provided to Mr. Chu Hui, the ultimate beneficial owner of Power Heritage. The aforesaid shares pledged does not fall within the scope of Rule 13.17 of the Listing Rules.

(4) These shares represent 1,500,000 shares held by Mr. Han Wei, who is the spouse of Ms. Xia Yafang; Under the SFO, Ms. Xia Yafang is deemed to be interested in all the shares in which Mr. Han Wei is interested.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

Long positions in the issued shares of the Company

Name of shareholders	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of interest *(Note 1)*
Substantial shareholders			
Ms. Rui Yiyun	Interest of spouse	2,140,686,000 *(Note 2)*	34.99%
Power Heritage	Beneficial owner	1,888,257,000 *(Note 3)*	30.86%
無錫光普投資有限公司	Interest of controlled corporations	1,888,257,000 *(Note 4)*	30.86%
Mr. Jiang Shu	Beneficial owner	329,134,000	5.38%
Ms. Jiang Qin	Interest of spouse	329,134,000 *(Note 5)*	5.38%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 31 December 2019 (i.e. 6,118,299,000 shares) has been used for the calculation of the approximate percentage of interest.

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

(3) On 9 October 2019, the Company was notified that Power Heritage and Mr. Chu Hui had pledged 1,258,838,000 ordinary shares and 168,286,000 ordinary shares in the issued share capital of the Company respectively, representing approximately 20.57% and 2.75% of the issued share capital of the Company as at the date of this report respectively, in favour of an independent third party (meaning ascribed to it in the Listing Rules), as security for a loan provided to Mr. Chu Hui, the ultimate beneficial owner of Power Heritage. The aforesaid shares pledged does not fall within the scope of Rule 13.17 of the Listing Rules.

(4) These shares were held by Power Heritage, a company wholly-owned by Spectrum HK, a wholly-owned subsidiary of 無錫光普投資有限公司, which is wholly-owned by Mr. Chu Hui.

(5) Under the SFO, Ms. Jiang Qin, the spouse of Mr. Jiang Shu, is deemed to be interested in all the shares in which Mr. Jiang Shu is interested.

Save as disclosed above, as at 31 December 2019, the Company has not been notified of any persons who had any interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO.

As at 31 December 2019, Mr. Chu Hui was a director of each of Power Heritage, Spectrum HK and 無錫光普投資有限公司. Save as disclosed above, as at 31 December 2019, none of the Directors was a director or an employee of a company which had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' REPORT

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

The Board confirms that the related party transactions as disclosed in Note 39 of Notes to the Consolidated Financial Statements do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance to which the Company, its holding company or its subsidiaries was a party and in which a Director had a material interest, whether direct or indirect, subsisted at the end of the year or at any time during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2019 and up to the date of this report, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year ended 31 December 2019.

NON-COMPETING UNDERTAKING

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

The Company has adopted the following measures to monitor that the Deed of Non-competition has been complied with during the year ended 31 December 2019:

(a) the Covenanter has advised the Company that during the year under review, it has not been offered of or become aware of any projects or new business opportunities which relates to the Restricted Business;

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

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

After 31 December 2019, the Covenanter has provided a written annual declaration on compliance with its non-competition undertaking for the year under review to the Company.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Neither the Company nor any of its holding companies was a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate during the year ended 31 December 2019 and up to the date of this report.

EMOLUMENT POLICY

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

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

Share award scheme

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

Purposes

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

Operation of the Share Award Scheme

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

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

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

DIRECTORS' REPORT

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

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

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

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

Restrictions

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

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

Vesting of Awarded Shares

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

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

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

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

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

Termination

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

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

During the year ended 31 December 2019, no Shares (year ended 31 December 2018: 15,264,000 Shares) were acquired by the Trustee and no consideration were paid (year ended 31 December 2018: HK$5,800,000 (approximately RMB5,121,000)).

During the year ended 31 December 2019, no Shares (year ended 31 December 2018: nil) were granted to any Qualified Employees pursuant to the Share Award Scheme and 7,800,000 Shares (year ended 31 December 2018: nil) were vested to the Qualified Employees for the Shares granted on 28 January 2016 pursuant to the Share Award Scheme.

DIRECTORS' REPORT

RETIREMENT BENEFIT SCHEME

With effect from 1 May 2011, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Contributions to the MPF Scheme made by the Group were in accordance with the statutory requirements prescribed by the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (i.e. at least 5% of the employee's monthly relevant income or HK$1,500 where the employee's monthly relevant income exceeds HK$30,000 with effect from 1 June 2014). The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. During the year ended 31 December 2019, the Group made contribution to the MPF Scheme amounting to approximately HK$84,000 (year ended 31 December 2018: HK$97,000).

No forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The Group also makes contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance according to the Social Insurance Law in the PRC. The contribution rates of the Group are based on the local regulations of the social insurance scheme in Yixing, which is 16% for basic pension insurance, 8% for basic medical insurance, 0.5% for unemployment insurance, 1.9% for work-related injury insurance and 0.8% for maternity insurance respectively, and the contributions made were based on the average salary of the workers in Yixing. During the year ended 31 December 2019, the Group made contributions in accordance with the Social Insurance Law in the PRC amounting to approximately RMB47.1 million (year ended 31 December 2018: RMB47.5 million).

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company and its subsidiaries is currently in force and was in force throughout the year under review. The Company has also taken out and maintained appropriate insurance cover to indemnify the directors of the Company and its subsidiaries for liabilities that may arise out of the corporate activities in the Group. The insurance coverage is reviewed on an annual basis. During the years ended 31 December 2019 and 2018, no claims were made against the directors of the Company and its subsidiaries.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

Donations made by the Group to external approved charitable organisations during the year ended 31 December 2019 amounted to approximately RMB664,000 (year ended 31 December 2018: RMB615,000).

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MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's largest customer accounted for approximately 5.0% (year ended 31 December 2018: 4.2%) of the Group's revenue and the five largest customers of the Group accounted for approximately 12.8% (year ended 31 December 2018: 12.7%) of the Group's revenue. For the year ended 31 December 2019, the Group's largest supplier accounted for approximately 30.8% (year ended 31 December 2018: 30.7%) of the Group's purchases and the five largest suppliers of the Group accounted for approximately 64.1% (year ended 31 December 2018: 62.4%) of the Group's purchases for the year under review.

At no time during the year ended 31 December 2019 did a Director, a close associate of a Director or a shareholder whom to the knowledge of the Directors owns more than 5% of the Company's issued share capital have an interest in any of the Group's five largest customers or suppliers.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 December 2019.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2019. A resolution will be proposed for approval by shareholders at the AGM to reappoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Chu Hui
Chairman and Chief Executive Officer
Hong Kong, 17 April 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Jiangnan Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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.

INDEPENDENT AUDITOR'S REPORT

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 impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2019, the Group's net trade receivables amounting to RMB5,098,862,000, which represented approximately 32.7% of total assets of the Group. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. As disclosed in note 35 to the consolidated financial statements, the Group recognised an additional net amount of RMB81,514,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2019 amounted to RMB422,506,000.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding the credit risk assessment and impairment assessment process and evaluating how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables aging analysis as at 31 December 2019, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining expected credit loss allowance on trade receivables as at 31 December 2019, including the reasonableness of management's grouping of the trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical observed default rates and forward-looking information); and • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 35 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the uncertainty on significant estimations that are required from the management in assessing the impairment of goodwill. Determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating units to which goodwill has been allocated. The value in use is determined based on the cash flow forecast for the cash generating units and requires the estimation of key assumptions, including suitable discount rates, growth rates and gross margin in order to calculate the present value. Impairment of goodwill should be assessed by comparing the recoverable amount of cash-generating units to which the goodwill is allocated and the carrying value of the cash-generating units at the end of the reporting period. As disclosed in note 18 to the consolidated financial statements, the carrying amount of goodwill of the Group is RMB54,775,000 at 31 December 2019. During the year ended 31 December 2019, no impairment loss is recognised on the goodwill.	Our procedures in relation to evaluating the management's impairment assessment of goodwill included: • Understanding the management's process relating to the preparation of the cash flow forecasts and impairment assessment; • Evaluating the reasonableness of the cash flow forecasts by comparing the historical financial forecasts against actual performance; • Analysing the reasonableness of the assumptions made by the management in determining the value in use of the cash-generating units to which the goodwill is allocated, including suitable discount rates, growth rates and gross margin; and • Performing sensitivity analysis on the assumptions made by the management in determining the value in use of the cash-generating units to which the goodwill is allocated, including suitable discount rates, growth rates and gross margin.

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.

INDEPENDENT AUDITOR'S REPORT

- 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 Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Turnover	5	**14,524,221**	13,525,377
Cost of goods sold		**(13,005,393)**	(12,038,767)
Gross profit		**1,518,828**	1,486,610
Other income	6	**95,245**	84,999
Selling and distribution costs		**(429,575)**	(339,631)
Administrative expenses		**(265,540)**	(294,556)
Research and development costs		**(62,735)**	(57,543)
Other gains (losses), net	7	**9,022**	(191,669)
Impairment losses under expected credit loss ("ECL") model, net of reversal	8	**(101,996)**	(102,452)
Share of results of associates		**(10,608)**	(4,836)
Finance costs	9	**(292,766)**	(319,022)
Profit before taxation	10	**459,875**	261,900
Taxation	12	**(76,652)**	(79,479)
Profit for the year		**383,223**	182,421
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss:			
Fair value loss on equity instrument at fair value through other comprehensive income ("FVTOCI")		**(3,298)**	(1,088)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**2,323**	(5,998)
		(975)	(7,086)
Total comprehensive income for the year		**382,248**	175,335
			(Restated)
Earnings per share	14		
— Basic		**RMB8.66 cents**	RMB4.50 cents
— Diluted		**RMB8.66 cents**	RMB4.50 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	15	882,855	879,127
Right-of-use assets	16	301,862	–
Land use rights	17	–	301,601
Deposits paid for acquisition of property, plant and equipment		7,242	11,870
Goodwill	18	54,775	54,775
Interests in associates	19	2,969	2,997
Loan to an associate	19	34,404	57,700
Equity instrument at FVTOCI	20	964	4,262
Deferred tax assets	31	2,120	2,710
		1,287,191	1,315,042
Current assets			
Inventories	21	3,000,870	3,208,237
Trade and other receivables	22	5,533,205	5,379,213
Structured deposits	23	604,559	–
Pledged bank deposits	24	2,069,840	2,068,956
Bank deposits with original maturity over three months	24	861,345	–
Bank balances and cash	24	2,222,470	2,592,456
		14,292,289	13,248,862
Current liabilities			
Trade and other payables	25	5,157,812	4,846,630
Contract liabilities	26	710,949	851,224
Amounts due to directors	27	5,325	4,877
Bank borrowings - due within one year	28	3,252,800	3,274,315
Lease liabilities	29	169	–
Taxation payable		96,404	92,006
		9,223,459	9,069,052
Net current assets		5,068,830	4,179,810
Total assets less current liabilities		6,356,021	5,494,852
Non-current liabilities			
Deferred tax liabilities	31	47,821	70,427
Net assets		6,308,200	5,424,425
Capital and reserves			
Share capital	32	51,350	32,951
Reserves		6,256,850	5,391,474
Total equity		6,308,200	5,424,425

The consolidated financial statements on pages 79 to 143 were approved and authorised for issue by the board of directors on 17 April 2020 and are signed on its behalf by:

Chu Hui	**Xia Yafang**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(note a)*	Shares held for share award scheme RMB'000 *(note 33)*	Employee share-based compensation reserve RMB'000 *(note 33)*	Investment revaluation reserve RMB'000	Non-distributable reserve RMB'000 *(note b)*	Statutory reserve RMB'000 *(note c)*	Translation reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2018	32,951	1,983,889	148,696	(41,581)	2,786	(1,740)	77,351	423,707	(27,048)	2,653,295	5,252,306	552	5,252,858
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	–	–	(5,998)	–	(5,998)	–	(5,998)
Fair value loss on investment in equity instrument at FVTOCI	–	–	–	–	–	(1,088)	–	–	–	–	(1,088)	–	(1,088)
Profit for the year	–	–	–	–	–	–	–	–	–	182,421	182,421	–	182,421
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,088)	–	–	(5,998)	182,421	175,335	–	175,335
Recognition of equity-settled share-based payments	–	–	–	–	1,905	–	–	–	–	–	1,905	–	1,905
Purchase of shares under share award scheme	–	–	–	(5,121)	–	–	–	–	–	–	(5,121)	–	(5,121)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(552)	(552)
Transfers	–	–	–	–	–	–	–	25,872	–	(25,872)	–	–	–
At 31 December 2018	32,951	1,983,889	148,696	(46,702)	4,691	(2,828)	77,351	449,579	(33,046)	2,809,844	5,424,425	–	5,424,425
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	–	–	2,323	–	2,323	–	2,323
Fair value loss on investment in equity instrument at FVTOCI	–	–	–	–	–	(3,298)	–	–	–	–	(3,298)	–	(3,298)
Profit for the year	–	–	–	–	–	–	–	–	–	383,223	383,223	–	383,223
Total comprehensive (expense) income for the year	–	–	–	–	–	(3,298)	–	–	2,323	383,223	382,248	–	382,248
Recognition of equity-settled share-based payments	–	–	–	–	398	–	–	–	–	–	398	–	398
Shares vested under share award scheme	–	–	–	6,512	(5,089)	–	–	–	–	(1,423)	–	–	–
Issue of shares (note 32)	18,399	482,730	–	–	–	–	–	–	–	–	501,129	–	501,129
Transfers	–	–	–	–	–	–	–	38,183	–	(38,183)	–	–	–
At 31 December 2019	51,350	2,466,619	148,696	(40,190)	–	(6,126)	77,351	487,762	(30,723)	3,153,461	6,308,200	–	6,308,200

Notes:

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Operating activities		
Profit before taxation	**459,875**	261,900
Adjustments for:		
Interest income	**(59,772)**	(67,718)
Investment income from structured deposits	**(22,179)**	–
Finance costs	**292,766**	319,022
Depreciation of property, plant and equipment	**107,644**	98,278
Loss on disposal of property, plant and equipment	**356**	111
Depreciation of right-of-use assets	**8,647**	–
Impairment losses under ECL model, net of reversal	**101,996**	102,452
Share of results of associates	**10,608**	4,836
Recognition of equity-settled share-based payments	**398**	1,905
Write-down of inventories	**–**	113,308
Operating lease rentals in respect of land use rights	**–**	7,980
Impairment loss recognised in respect of goodwill	**–**	54,831
Loss on deregistration of a subsidiary	**–**	748
Release of government grants	**–**	(741)
Operating cash flows before movements in working capital	**900,339**	896,912
Decrease in inventories	**208,005**	680,491
Increase in trade and other receivables	**(242,899)**	(667,053)
Increase in trade and other payables	**306,533**	814,263
(Decrease) increase in contract liabilities	**(140,275)**	232,823
Cash generated from operations	**1,031,703**	1,957,436
PRC income tax paid	**(94,270)**	(64,137)
South Africa income tax paid	**–**	(698)
Net cash from operating activities	**937,433**	1,892,601
Investing activities		
Release of pledged bank deposits	**3,042,761**	2,647,667
Interest received	**77,669**	61,460
Proceeds from disposal of property, plant and equipment	**634**	1,925
Bank deposits pledged	**(3,043,645)**	(2,989,410)
Placement of bank deposits with original maturity over three months	**(861,345)**	–
Purchase of structured deposits	**(604,559)**	–
Purchase of property, plant and equipment	**(100,469)**	(95,505)
Deposits paid for acquisition of property, plant and equipment	**(7,242)**	(11,870)
Payment for acquisition of land use rights	**–**	(6,967)
Advance to an associate	**–**	(1,335)
Net cash outflow from deregistration of a subsidiary	**–**	(1,300)
Net cash used in investing activities	**(1,496,196)**	(395,335)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Financing activities		
New bank borrowings raised	**3,868,056**	4,582,855
Net proceeds from issue of shares	**501,129**	–
Advances from directors	**2,472**	1,204
Repayment of bank borrowings	**(3,889,571)**	(4,640,620)
Interest paid	**(292,456)**	(319,022)
Repayment to directors	**(2,024)**	(1,563)
Repayment of lease liabilities	**(339)**	–
Interest on lease liabilities	**(12)**	–
Purchase of shares under share award scheme	**–**	(5,121)
Net cash from (used in) financing activities	**187,255**	(382,267)
Net (decrease) increase in cash and cash equivalents	**(371,508)**	1,114,999
Cash and cash equivalents at beginning of the year	**2,592,456**	1,479,759
Effect of foreign exchange rate changes	**1,522**	(2,302)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**2,222,470**	2,592,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

Jiangnan Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company of the Company is Power Heritage Group Limited, a company which was incorporated in the British Virgin Islands ("BVI") and the ultimate holding company of the Company is 無錫光普投資有限公司, a company which was established in the PRC. 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. Its principal subsidiaries are engaged in the manufacture of and trading in wires and cables.

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

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

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease" and not to apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

HKFRS 16 "Leases" *(continued)*

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts that elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 3.35%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	729
Lease liabilities discounted at relevant incremental borrowing rates	686
Less: Recognition exemption - short-term leases	(178)
Lease liabilities as at 1 January 2019	508
Analysed as:	
Current	348
Non-current	160
	508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

HKFRS 16 "Leases" *(continued)*

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	508
Reclassified from land use rights *(Note)*	309,899
	310,407
By class:	
Leasehold land	309,899
Leased properties	508
	310,407

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 RMB'000	**Impacts of adopting HKFRS 16** RMB'000	**Carrying amounts under HKFRS 16 at 1 January 2019** RMB'000
Right-of-use assets	–	310,407	310,407
Land use rights *(Note)*	301,601	(301,601)	–
Trade and other receivables *(Note)*	5,379,213	(8,298)	5,370,915
Lease liabilities — current	–	348	348
Lease liabilities — non-current	–	160	160

Note: Upfront payments for the Group's leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, the current portion of the land use rights (included in trade and other receivables) and the non-current portion of the land use rights amounting to RMB8,298,000 and RMB301,601,000 respectively were reclassified to right-of-use assets.

For the purpose of reporting cash flows from operating activities under the indirect method for the year ended 31 December 2019, movements in working capital have been computed based on the opening balances as at 1 January 2019 recorded in the Group's consolidated statement of financial position as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]
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 1 and HKAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments to HKFRS 10 "Consolidated Financial Statements" and HKAS 28 "Investments in Associates and Joint Ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 certain financial instruments 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 accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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".

For financial instruments which are transacted 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 at initial recognition 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

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

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

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

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

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment 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 in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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.

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.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments); and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessee (prior to 1 January 2019)

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.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Land use rights and leasehold building

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, interest in leasehold land that is accounted for as an operating lease is presented as “land use rights” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs not 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 recognised in profit or loss in the period in which they are incurred.

Research and development costs

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amounts of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs 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 CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 or the group of CGUs. 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 or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU or a group of CGUs) 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 CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income" line item.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, loan to an associate, pledged bank deposits, bank deposits with original maturity over three months and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. Customers are assessed for ECL by categorising into receivables fully backed by bank bills and not backed by bank bills. To measure the ECL, trade receivables not backed by bank bills are assessed collectively using a provision matrix with appropriate groupings. Debtors with trade receivables backed by bank bills are assessed individually taking into consideration of the credit rating and reputation of the banks issuing the bank bills.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory or economic environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

Share award scheme

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

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

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

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

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 benefits costs

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

Short-term 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) after deducting any amount already paid.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

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

Impairment assessment of trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 35 and 22 respectively.

At 31 December 2019, the carrying amount of trade receivables is RMB5,098,862,000 (2018: RMB5,054,838,000) (net of allowance for credit losses of trade receivables of RMB422,506,000 (2018: RMB350,548,000)).

Impairment assessment of goodwill

Impairment of goodwill is assessed by comparing the recoverable amount (i.e. the value in use) of the CGU 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 CGU 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 CGU, with key assumptions including suitable discount rates, growth rates and gross margin.

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.

At 31 December 2019, the carrying amount of goodwill is RMB54,775,000 (2018: RMB54,775,000). Details of the recoverable amount calculation are disclosed in note 18.

Allowance of inventories

The Group records inventories at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. The management reviews the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. Although the Group carries 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 2019, the carrying amount of inventories is RMB3,000,870,000 (2018: RMB3,208,237,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture of and trading in wires and cables. All of the Group's revenue is recognised when the control of the goods is transferred, being the time at which the goods are delivered to the locations specified by the customers. A receivable is recognised by the Group when the goods are delivered to the customer's premises as this represents the point in time at which the right to consideration becomes unconditional (i.e. except for the passage of time is required before payment is due). The customers have neither the rights of return nor the rights to defer or avoid payment for the goods once the goods are accepted by the customers upon receipt of goods. The contracts signed by the Group with the customers are short-term and price determined contracts.

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

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

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

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

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of goods sold), which represents the internally generated financial information regularly reviewed by the Executive Directors. However, other income, selling and distribution costs, administrative expenses, research and development costs, other gains (losses), net, impairment losses under ECL model, net of reversal, share of results of associates and finance costs are not allocated to each reportable segment. The segment results are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

The information of segment results are as follows:

	2019 RMB'000	2018 RMB'000
Revenue		
— power cables	**10,190,329**	9,475,033
— wires and cables for electrical equipment	**2,804,546**	2,538,890
— bare wires	**505,282**	432,152
— special cables	**1,024,064**	1,079,302
	14,524,221	13,525,377
Cost of goods sold		
— power cables	**9,139,009**	8,454,427
— wires and cables for electrical equipment	**2,621,690**	2,351,837
— bare wires	**441,399**	392,657
— special cables	**803,295**	839,846
	13,005,393	12,038,767
Segment results		
— power cables	**1,051,320**	1,020,606
— wires and cables for electrical equipment	**182,856**	187,053
— bare wires	**63,883**	39,495
— special cables	**220,769**	239,456
	1,518,828	1,486,610

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

	2019 RMB'000	2018 RMB'000
Reportable segment results	**1,518,828**	1,486,610
Unallocated income and expenses		
— Other income	**95,245**	84,999
— Selling and distribution costs	**(429,575)**	(339,631)
— Administrative expenses	**(265,540)**	(294,556)
— Research and development costs	**(62,735)**	(57,543)
— Other gains (losses), net	**9,022**	(191,669)
— Impairment losses under ECL model, net of reversal	**(101,996)**	(102,452)
— Share of results of associates	**(10,608)**	(4,836)
— Finance costs	**(292,766)**	(319,022)
Profit before taxation	**459,875**	261,900

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical information

More than 90% of the Group's sales were made to customers in the PRC (country of domicile) for both years. More than 90% of the Group's non-current assets were located in the PRC at 31 December 2019 and 2018.

Information about major customers

The Group had no customers that contributed over 10% of the revenue of the Group for both years.

6. OTHER INCOME

	2019 **RMB'000**	2018 RMB'000
Bank interest income	**54,806**	61,460
Interest income from an associate	**4,966**	6,258
Investment income from structured deposits	**22,179**	–
Government subsidies *(note)*	**10,473**	12,507
Others	**2,821**	4,774
	95,245	84,999

Note: Included in the amount were RMB741,000 for the year ended 31 December 2018 (2019: nil) representing deferred income on government subsidies recognised during the prior year in relation to capital expenditure on property, plant and equipment over the useful lives of the related assets. The remaining amount represents the incentive subsidies provided by the PRC local authorities to the Group to encourage business development in the Yixing region and research and energy reduction activities conducted by the Group, and all of them had no specific conditions imposed.

7. OTHER GAINS (LOSSES), NET

	2019 **RMB'000**	2018 RMB'000
Write-down of inventories *(note a)*	**–**	(113,308)
Impairment loss recognised in respect of goodwill *(note 18)*	**–**	(54,831)
Exchange gain (loss)	**9,302**	(22,671)
Loss on disposal of property, plant and equipment	**(356)**	(111)
Loss on deregistration of a subsidiary *(note b)*	**–**	(748)
Others	**76**	–
	9,022	(191,669)

7. OTHER GAINS (LOSSES), NET *(continued)*

Notes:

a. During the year ended 31 December 2018, write-down of inventories composed of (i) the carrying amount of inventories misappropriated amounting to RMB68,045,000, and (ii) loss from disassemble of inventories amounting to RMB45,263,000. During the year ended 31 December 2018, the Group had inventories misappropriated by a former employee of the Group. The matter was reported and the suspect had been detained for criminal investigation. In August 2018, the Group had inventories damaged by the flood caused by a typhoon. The affected inventories had been disassembled. The difference between the carrying amounts of the affected inventories and their respective estimated net realisable values was recognised as write-down of inventories in the consolidated financial statements.

b. The subsidiary had net assets of RMB828,000 attributable to the Group at the date of deregistration, representing bank balances of RMB1,380,000 and non-controlling interest of RMB552,000, respectively. RMB80,000 was finally distributed to the group and accordingly, loss on deregistration of a subsidiary of RMB748,000 was recognised in consolidated financial statements in the prior year.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS ("ECL") MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Impairment losses under ECL model, net of reversal on:		
Trade receivables	**81,514**	60,479
Other receivables	**(274)**	41,973
Loan to an associate	**20,756**	–
	101,996	102,452

Details of impairment assessment are set out in note 35.

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interests on bank borrowings	**164,868**	203,451
Interest on bills payables	**127,886**	115,571
Interests on lease liabilities	**12**	–
	292,766	319,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. PROFIT BEFORE TAXATION

	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(Note 11)*	**2,035**	2,653
Other staff costs:		
Salaries and other benefits	**240,338**	240,260
Share award expenses	**294**	1,417
Retirement benefit schemes contribution	**47,165**	47,557
Total staff costs	**289,832**	291,887
Less: Staff costs included in research and development costs	**(26,381)**	(24,982)
	263,451	266,905
Depreciation of property, plant and equipment	**107,644**	98,278
Less: Depreciation included in research and development costs	**(6,041)**	(3,558)
	101,603	94,720
Depreciation of right-of-use assets	**8,647**	–
Auditor's remuneration	**3,173**	2,997
Cost of inventories recognise as expenses	**12,975,083**	12,003,841
Short term lease payments	**10,518**	–
Minimum lease payments - under operating lease in respect of properties	**–**	9,053
Operating lease rentals in respect of land use rights	**–**	7,980

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

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

	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit schemes contribution RMB'000	Share award expenses RMB'000 (*note e*)	Total RMB'000
For the year ended 31 December 2019					
Executive directors:					
Chu Hui (*note a*)	–	605	29	26	660
Jiang Yongwei	–	365	19	26	410
Xia Yafang	–	425	19	26	470
Hao Minghui (*note b*)	–	147	–	26	173
Independent non-executive directors:					
Poon Yick Pang Philip (*note c*)	72	–	–	–	72
He Zhisong	88	–	–	–	88
Yang Rongkai	88	–	–	–	88
Kan Man Yui Kenneth (*note d*)	74	–	–	–	74
	322	1,542	67	104	2,035

	Fees RMB'000	Basic salaries and allowances RMB'000	Retirement benefit schemes contribution RMB'000	Share award expenses RMB'000 (*note e*)	Total RMB'000
For the year ended 31 December 2018					
Executive directors:					
Chu Hui (*note a*)	–	605	29	122	756
Jiang Yongwei	–	365	19	122	506
Xia Yafang	–	425	19	122	566
Hao Minghui (*note b*)	–	360	–	122	482
Independent non-executive directors:					
Poon Yick Pang Philip (*note c*)	171	–	–	–	171
He Zhisong	86	–	–	–	86
Yang Rongkai	86	–	–	–	86
	343	1,755	67	488	2,653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

Notes:

(a) Mr. Chu Hui is the chief executive officer ("CEO") of the Company and the chairman of the Board. His emoluments disclosed above include those services rendered by him as the chairman of the Board and CEO of the Company.

(b) Mr. Hao Minghui retired as an Executive Director following the conclusion of the Company's annual general meeting held on 27 May 2019.

(c) Mr. Poon Yick Pang Philip retired as an independent non-executive director of the Company following the conclusion of the Company's annual general meeting held on 27 May 2019.

(d) Mr. Kan Man Yui Kenneth was appointed as an independent non-executive director of the Company on 10 June 2019.

(e) The share award expenses represented the accrued value of the shares of the Company awarded to the directors and chief executive of the Company under the share award scheme of the Company (details are set out in note 33), which were vested to the relevant directors and chief executive of the Company on 1 April 2019.

The Executive Directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and its subsidiaries.

The emoluments of the independent non-executive directors shown above were paid for their appointment as directors of the Company.

The five highest paid individuals for the year ended 31 December 2019 included two (2018: three) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2018: two) individuals for the year are as follows:

	2019 RMB'000	2018 RMB'000
Employees		
— basic salaries and allowances	**2,254**	1,746
— retirement benefit schemes contribution	**26**	31
— share award expenses	**47**	122
	2,327	1,899

The emoluments of the three (2018: two) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	1

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

12. TAXATION

	2019 RMB'000	2018 RMB'000
The charge comprises:		
Current tax		
PRC income tax	**98,668**	77,761
Deferred taxation *(Note 31)*	**(22,016)**	1,718
Taxation charge for the year	**76,652**	79,479

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law ("EIT Law") of the PRC on Enterprise Income Tax ("EIT") and the Regulations of the PRC on the Implementation of the EIT Law, the tax rate of the PRC subsidiaries has been 25% from 1 January 2008 onward. Pursuant to the approval published on the website of the Yixing Provincial Commission of Science and Technology, Wuxi Jiangnan Cable and Jiangsu Zhongmei Cable Group Co., Ltd. (江蘇中煤電纜有限公司) ("Zhongmei Cable") were endorsed as High and New Technology Enterprises on 4 March 2009 (renewed on 30 November 2018) and 2 September 2014 (renewed on 7 December 2017) respectively and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2021 and 2020 respectively.

Dividends distributed by a PRC entity to foreign investors out of its profits generated from 1 January 2008 onwards shall be subject to EIT at 10%, which shall be withheld by the PRC entity pursuant to Articles 3 and 37 of the EIT Law and Article 91 of the Regulations of the PRC on the Implementation of the EIT Law.

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

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**459,875**	261,900
Tax at the applicable tax rate *(note)*	**114,969**	65,475
Tax effect of expenses not deductible for tax purpose	**1,900**	33,137
Tax effect of income not taxable for tax purpose	**(3,812)**	(564)
Tax effect of tax concession granted to PRC subsidiaries	**(50,753)**	(26,733)
Tax effect of deductible temporary differences not recognised	**1,173**	1,564
Tax effect of share of results of associates	**2,652**	1,209
Withholding tax on undistributed earnings of PRC subsidiaries	**10,745**	3,725
Others	**(222)**	1,666
Taxation for the year	**76,652**	79,479

Note: The applicable income tax rate represents the PRC income tax rate at 25% (2018: 25%) for the year ended 31 December 2019 as the Group's operations are substantially based in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2019 and 2018. Subsequent to the end of the reporting period, a final dividend of HK0.5 cent per share for the year ended 31 December 2019 has been proposed by the Directors and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**383,223**	182,421

	2019 '000	**2018 '000** (restated)
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme for the purpose of the calculation of basic earnings per share	**4,425,897**	4,049,598
Effect of dilutive potential ordinary shares:		
Shares granted under the share award scheme	**1,396**	6,877
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	**4,427,293**	4,056,475

For the years ended 31 December 2019 and 31 December 2018, the weighted average number of ordinary shares in issue less shares held for the share award scheme for the purpose of the calculation of basic earnings per share has been adjusted for the rights issue of 2,039,433,000 ordinary shares on the basis of one rights share ("Rights Share") for every two existing shares in issue held on the record date at the subscription price of HK$0.28 per Rights Share, completion of which took place, on 22 October 2019.

For the years ended 31 December 2019 and 31 December 2018, the weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share has been adjusted for the shares granted on 28 January 2016 pursuant to the share award scheme adopted by the Company on 9 September 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2018	583,045	629,960	29,217	43,482	52,873	1,338,577
Currency realignment	–	–	(115)	(34)	–	(149)
Additions	14,088	26,653	1,328	11,064	60,911	114,044
Disposals	–	(2,880)	(938)	(259)	–	(4,077)
Transfers	8,440	41,130	–	1,772	(51,342)	–
At 31 December 2018	605,573	694,863	29,492	56,025	62,442	1,448,395
Currency realignment	–	–	79	24	–	103
Additions	2,461	43,164	3,881	25,112	37,721	112,339
Disposals	(3)	(2,064)	(4,362)	(162)	–	(6,591)
Transfers	22,270	52,550	–	–	(74,820)	–
At 31 December 2019	630,301	788,513	29,090	80,999	25,343	1,554,246
DEPRECIATION						
At 1 January 2018	149,042	279,819	17,960	26,326	–	473,147
Currency realignment	–	–	(85)	(31)	–	(116)
Provided for the year	31,091	60,649	3,229	3,309	–	98,278
Eliminated on disposals	–	(938)	(857)	(246)	–	(2,041)
At 31 December 2018	180,133	339,530	20,247	29,358	–	569,268
Currency realignment	–	–	61	19	–	80
Provided for the year	31,927	64,414	3,385	7,918	–	107,644
Eliminated on disposals	(2)	(1,489)	(3,959)	(151)	–	(5,601)
At 31 December 2019	212,058	402,455	19,734	37,144	–	671,391
CARRYING VALUES						
At 31 December 2019	418,243	386,058	9,356	43,855	25,343	882,855
At 31 December 2018	425,440	355,333	9,245	26,667	62,442	879,127

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

At 31 December 2019, the Group has pledged certain of its buildings with carrying values of RMB161,992,000 (2018: buildings and machinery with carrying values of RMB181,261,000 and RMB27,050,000 respectively) to certain banks to secure credit facilities granted to the Group.

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

Buildings	Over the shorter of the term of lease, or 4.8%
Plant and machinery	9%
Motor vehicles	18%
Furniture, fixtures and equipment	18%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2019			
Carrying amount	309,899	508	310,407
As at 31 December 2019			
Carrying amount	301,601	261	301,862
For the year ended 31 December 2019			
Depreciation charge	8,298	349	8,647
Expenses related to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			10,518
Total cash outflow for leases			10,869

For both years, the Group leases various offices for its operations. Lease contracts were entered into for fixed term of 24 months. Lease terms were negotiated on an individual basis and contained a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several office buildings and industrial buildings where its manufacturing facilities are primarily located at. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group regularly entered into short-term leases for buildings. As at 31 December 2019, the amount of the portfolio of short-term leases is the short term lease payments as disclosed in note 10.

At 31 December 2019, the Group has pledged the land with a carrying amount of RMB281,232,000 to certain banks to secure the credit facilities granted to the Group.

17. LAND USE RIGHTS

	2018 RMB'000
Carrying amount	
At beginning of the year	310,912
Additions	6,967
Charged to profit or loss for the year	(7,980)
At end of the year	309,899
Analysed for reporting purpose as:	
Current portion *(Note 22)*	8,298
Non-current portion	301,601
	309,899

17. LAND USE RIGHTS *(continued)*

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

At 31 December 2018, the Group has pledged the land use rights with a carrying amount of approximately RMB295,687,000 to certain banks to secure the credit facilities granted to the Group.

Upfront payments for leasehold lands in the PRC were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, the current portion of land use rights (included in trade and other receivables) and the non-current portion of land use rights amounting to RMB8,298,000 and RMB301,601,000 respectively were reclassified to right-of-use assets.

18. GOODWILL

	RMB'000
COST	
At 1 January 2018, 31 December 2018 and 31 December 2019	109,606
IMPAIRMENT	
At 1 January 2018	–
Impairment provided for the year	54,831
At 31 December 2018 and 31 December 2019	54,831
CARRYING VALUES	
At 31 December 2019 and 31 December 2018	54,775

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

	2019 RMB'000	2018 RMB'000
Kai Da Investments Limited ("Kai Da")	**54,775**	54,775
New Sun Investments Limited ("New Sun")	**–**	–
	54,775	54,775

18. GOODWILL *(continued)*

Kai Da

The basis of the recoverable amounts of Kai Da and its major underlying assumptions are summarised below:

At 31 December 2019, the recoverable amounts of these CGUs had been determined based on a value in use calculation. That calculation uses cash flow projections covering a 5-year period, based on financial budgets approved by management and a discount rate of 9.71% (2018: 9.71%) per annum. Cash flows beyond the 5-year period are extrapolated with a 1% (2018: 1%) growth rate. This growth rate is based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate of the relevant industry. No impairment loss is considered necessary for Kai Da.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budget sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development. The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU of Kai Da to exceed the aggregate recoverable amount of this CGU.

New Sun

During the year ended 31 December 2018, the management of the Group determines that there was an impairment of RMB54,831,000 relating to the CGU of New Sun (2019: nil). As it had taken longer than expected to grow the business of New Sun, the cash flow projections and valuation assumptions were adjusted to reflect a softer outlook of this CGU. Hence the recoverable amounts were determined to be lower than the carrying amounts of the assets allocated to this CGU.

19. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Cost of investments in associates, unlisted	**15,301**	15,291
Impairment loss recognised	**(242)**	(232)
Share of post-acquisition losses and other comprehensive expense, net of dividends received	**(12,090)**	(12,062)
	2,969	2,997

	2019 RMB'000	2018 RMB'000
Loan to an associate	**75,249**	67,169
Impairment loss	**(20,756)**	–
Less: Share of post-acquisition losses	**(20,089)**	(9,469)
	34,404	57,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE *(continued)*

The loan to an associate is unsecured and carries interest at 8% (2018: 7%) compounded monthly, which in the opinion of the directors of the Company is expected to be repaid after one year and hence it is classified as a non-current asset.

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

Name of entity	Form of entity	Country of incorporation/ establishment	Principal place of operation	Proportion of ownership interest held by the Group 2019 & 2018	Proportion of voting rights held by the Group 2019 & 2018	Principal activity
江蘇和順典當有限公司("江蘇和順")	Incorporated	PRC	PRC	30%	30%	Business of pawn broking
Wuxi Tech (Proprietary) Ltd. ("Wuxi Tech")	Incorporated	South Africa	South Africa	49%	49%	Manufacture of electrical cables

Summarised financial information of associates

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

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

江蘇和順

	2019 RMB'000	2018 RMB'000
Current assets	**12,815**	12,911
Non-current assets	**35**	35
Current liabilities	**2,953**	2,956
Net assets	**9,897**	9,990
Revenue	**270**	3
Loss and total comprehensive expense for the year	**(93)**	(380)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE *(continued)*

江蘇和順 *(continued)*

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

	2019 RMB'000	2018 RMB'000
Net assets of 江蘇和順	**9,897**	9,990
Proportion of the Group's ownership interest in 江蘇和順	**30%**	30%
Carrying amount of the Group's interest in 江蘇和順	**2,969**	2,997

Wuxi Tech

	2019 RMB'000	2018 RMB'000
Current assets	**49,830**	69,726
Non-current assets	**164**	6,995
Current liabilities	**15,590**	27,500
Non-current liabilities	**75,249**	67,219
Net liabilities	**(40,845)**	(17,998)
Revenue	**24,850**	72,731
Loss for the year	**(21,571)**	(9,638)
Other comprehensive (expense) income for the year	**(1,276)**	325
Total comprehensive expense for the year	**(22,847)**	(9,313)

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

	2019 RMB'000	2018 RMB'000
Net liabilities of Wuxi Tech	**(40,845)**	(17,998)
Proportion of the Group's ownership interest in Wuxi Tech	**49%**	49%
	(20,014)	(8,819)
Effect of net liabilities not recognised by the Group	**20,014**	8,819
Carrying amount of the Group's interest in Wuxi Tech	**–**	–

20. EQUITY INSTRUMENT AT FVTOCI

The amount represents the Group's equity investment in an unlisted private enterprise in the PRC. The directors of the Company have elected to designate this as equity instrument at FVTOCI as they believe that they are not held for trading.

21. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**45,440**	36,899
Work in progress	**1,045,693**	1,501,616
Finished goods	**1,909,737**	1,669,722
	3,000,870	3,208,237

22. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables from contract with customers	**5,521,368**	5,405,386
Less: Allowance for credit losses	**(422,506)**	(350,548)
Trade receivables, net	**5,098,862**	5,054,838
Current portion of land use rights	**–**	8,298
Deposits paid to suppliers	**254,535**	82,763
Prepayments	**37,168**	38,135
Staff advances	**20,845**	7,580
Tender deposits	**85,208**	111,922
Value-added tax receivables	**1,480**	4,028
Other receivables	**35,107**	71,649
	5,533,205	5,379,213

As at 1 January 2018, trade receivables from contract with customers amounted to RMB4,461,347,000.

At 31 December 2019, total bills received amounting to RMB452,500,000 (2018: RMB639,045,000) are held by the Group for future settlement of trade receivables.

The Group normally allows credit terms ranging from 30 days to 180 days to its trade debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. TRADE AND OTHER RECEIVABLES *(continued)*

The following is an aging analysis of trade receivables, net of allowance for credit losses, based on the invoice date at the end of the reporting period:

	2019 **RMB'000**	2018 RMB'000
0 to 90 days	**2,597,767**	2,143,445
91 to 180 days	**861,147**	930,476
181 to 365 days	**569,673**	912,544
Over 365 days	**1,070,275**	1,068,373
	5,098,862	5,054,838

At 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,598,554,000 (2018: RMB2,544,875,000) which are past due as at the reporting date. Out of the past due balance, RMB2,280,722,000 (2018: RMB2,544,875,000) has been past due 90 days or more and is not considered as in default based on good repayment records for those debtors and continuous business relationships with the Group. Other than the bills received amounting to RMB452,500,000 (2018: RMB639,045,000), the Group does not hold any collateral over these balances.

Details of impairment assessment are set out in note 35.

No interest is charged on trade receivables.

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

Prepayments mainly comprise prepayments for electricity, utility deposits and other operating expenses.

Tender deposits represent deposits paid for bidding of projects for supply of power cable by the Group and are refundable upon completion of the bidding process.

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

	2019 **RMB'000**	2018 RMB'000
United States dollars ("USD")	**15,134**	96,055
Hong Kong dollars ("HKD")	**1,335**	1,907
Singapore dollars ("SGD")	**121,712**	93,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. STRUCTURED DEPOSITS

At 31 December 2019, the Group's structured deposits represent financial products issued by banks, with maturity of 12 months and expected returns ranging from 1.50% to 2.85% 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 2019 because of their short maturities.

24. PLEDGED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/BANK BALANCES AND CASH

The pledged bank deposits carry interest at prevailing market rate ranging from 1.1% to 4.1% (2018: 1.1% to 4.2%) per annum at 31 December 2019.

At 31 December 2019 and 31 December 2018, the entire pledged bank deposits represent deposits pledged to banks to secure the bank facilities drawn and the issuance of bills payables by the Group.

Bank deposits with original maturity over three months carry interest at prevailing market rate at 3.07% per annum at 31 December 2019.

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 0.3% to 2.8% (2018: 0.35% to 3.35%) per annum at 31 December 2019.

Details of impairment assessment are set out in note 35.

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

	2019 **RMB'000**	2018 RMB'000
USD	**343,966**	52,461
HKD	**4,495**	5,290
SGD	**–**	449
Euro	**5**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**4,734,360**	4,408,498
Payroll and welfare accruals	**101,447**	109,072
Consideration payables *(note a)*	**130,698**	130,698
Loans advanced from staff *(note b)*	**67,179**	75,693
Other tax payables	**27,504**	46,138
Other deposits	**3,880**	2,461
Other payables and accruals	**92,744**	74,070
	5,157,812	4,846,630

Included in the Group's trade payables at 31 December 2019 are bills payables of RMB2,392,462,000 (2018: RMB2,704,623,000).

Notes:

(a) The amounts represent consideration payables by the Group in connection with the acquisition of subsidiaries in prior years.

(b) The amounts represent loans advanced from staff of the Group, which are unsecured, non-interest bearing and repayable on demand.

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

	2019 RMB'000	2018 RMB'000
0 to 90 days	**1,973,144**	1,714,011
91 to 180 days	**1,139,182**	987,920
181 to 365 days	**1,567,163**	1,473,575
Over 365 days	**54,871**	232,992
	4,734,360	4,408,498

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

	2019 RMB'000	2018 RMB'000
USD	**130,698**	3,297
HKD	**65,470**	3,328

26. CONTRACT LIABILITIES

	2019 RMB'000	2018 RMB'000
Contract liabilities	**710,949**	851,224

As at 1 January 2018, contract liabilities amounted to RMB618,401,000.

The contract liabilities at 1 January 2019 were fully recognised as revenue in the current year (1 January 2018: fully recognised as revenue in 2018).

27. AMOUNTS DUE TO DIRECTORS

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

28. BANK BORROWINGS - DUE WITHIN ONE YEAR

	2019 RMB'000	2018 RMB'000
Secured	**550,050**	717,082
Secured and guaranteed by independent third parties	**201,900**	330,000
Unsecured	**1,327,850**	1,167,233
Unsecured and guaranteed by independent third parties	**1,173,000**	1,060,000
	3,252,800	3,274,315
The bank borrowings comprise of:		
Variable rate borrowings	**330,550**	481,172
Fixed rate borrowings	**2,922,250**	2,793,143
	3,252,800	3,274,315

At 31 December 2019, the fixed rate bank borrowings carry interest ranging from 3.25% to 5.1% (2018: 1.5% to 6.5%) per annum.

At 31 December 2019, the variable rate bank borrowings carry interest ranging from Euro Interbank Offered Rate plus 0.6% to 120% of the People's Bank of China ("PBOC") rate (2018: ranging from yearly bank's Euro cost of fund to 110% of PBOC rate) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. BANK BORROWINGS — DUE WITHIN ONE YEAR *(continued)*

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

	2019 RMB'000	2018 RMB'000
USD	**–**	96,085
HKD	**–**	80,150
Euro	**137,550**	157,680

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

	2019 RMB'000	2018 RMB'000
For bank borrowings:		
— property, plant and equipment	**161,992**	208,311
— right-of-use assets	**281,232**	–
— land use rights	**–**	295,687
For bank borrowings and bills payables:		
— pledged bank deposits	**2,069,840**	2,068,956
	2,513,064	2,572,954

29. LEASE LIABILITIES

	2019 RMB'000
Lease liabilities payable	
Within one year	169

30. GOVERNMENT GRANTS

	2019 RMB'000	2018 RMB'000
At beginning of the year	**–**	741
Released during the year	**–**	(741)
At end of the year	**–**	–

The government grants represented government subsidies received by the Group in relation to capital expenditure on property, plant and equipment in prior years. The relevant conditions of these subsidies were fulfilled and such subsidies were transferred to income during the year ended 31 December 2018.

31. DEFERRED TAXATION

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

	Accelerated tax depreciation RMB'000	Revaluation of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	3,301	(39,954)	(29,346)	(65,999)
(Charged) credited to profit or loss for the year *(Note 12)*	(591)	2,598	(3,725)	(1,718)
At 31 December 2018	2,710	(37,356)	(33,071)	(67,717)
(Charged) credited to profit or loss for the year *(Note 12)*	(590)	2,579	7,627	9,616
Released upon dividends declared	–	–	12,400	12,400
At 31 December 2019	2,120	(34,777)	(13,044)	(45,701)

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

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**2,120**	2,710
Deferred tax liabilities	**(47,821)**	(70,427)
	(45,701)	(67,717)

Deferred tax liability on the undistributed profits of the PRC subsidiaries earned during the year ended 31 December 2019 has been accrued at the tax rate of 10% (2018: 10%) on the expected dividend stream of 25% out of the undistributed profits of the PRC subsidiaries for each year which is determined by the directors of the Company. At 31 December 2019, an amount of RMB799,104,000 (2018: RMB815,652,000) of the profits of the PRC subsidiaries has been provided in respect of such withholding tax. No deferred tax liability has been recognised in respect of the remaining balance of undistributed profits amounting to approximately RMB3,467,547,000 (2018: RMB3,235,390,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

32. SHARE CAPITAL

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

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 31 December 2019	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2018 and 31 December 2018	4,078,866,000	40,788,660	32,951
Issue of shares *(note)*	2,039,433,000	20,394,330	18,399
At 31 December 2019	6,118,299,000	61,182,990	51,350

Note: On 22 October 2019, the Company has issued 2,039,433,000 rights shares, on the basis of one rights share for every two existing shares held at the subscription price of HK$0.28 per rights share ("Rights issue"). Details of the Rights issue are set out in the Company's prospectus dated 27 September 2019 and the announcements of the Company dated 26 August 2019 and 22 October 2019.

33. SHARE AWARD SCHEME

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

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

During the year ended 31 December 2018, 15,264,000 (2019: nil) ordinary shares of the Company were acquired by the trustee at a total consideration of HK$5,800,000 (equivalent to RMB5,121,000) (2019: nil)).

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

33. SHARE AWARD SCHEME *(continued)*

The fair value of the Awarded Shares granted was determined with reference to market value of the shares on the grant date taking into account the price volatility of the Company, risk-free rate and the vesting period as well as the exclusion of the expected dividends, as the employees are not entitled to receive dividends paid during the vesting period. The fair value of the Awarded Shares on the grant date was HK$30,182,000 (equivalent to RMB25,385,000). The total amount charged to profit or loss in respect of the fair value of the Awarded Shares amounted to HK$449,000 (equivalent to RMB398,000) (2018: HK$2,225,000 (equivalent to RMB1,905,000)) for the year ended 31 December 2019.

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

	Number of shares '000
Outstanding as at 1 January 2018	17,650
Award shares forfeited *(note a)*	(9,825)
Outstanding as at 31 December 2018	7,825
Award shares vested *(note b)*	(7,800)
Award shares forfeited *(note b)*	(25)
Outstanding as at 31 December 2019	–

Notes:

(a) 8,825,000 Awarded Shares were forfeited due to non-fulfilment of certain performance conditions. Another 1,000,000 Awarded Shares were forfeited according to the share award scheme as certain Qualified Employees no longer remained employment with the Group.

(b) Based on the fulfilment of certain performance conditions, 7,800,000 Awarded Shares were vested on 1 April 2019 to certain Qualified Employees with 25,000 Awarded Shares being forfeited.

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

	Number of shares purchased '000	Cost of purchase HK$'000	Cost of purchase RMB'000
At 1 January 2018	40,671	49,577	41,581
Shares purchased from the market during the year	15,264	5,800	5,121
At 31 December 2018	55,935	55,377	46,702
Shares transferred out upon being vested	(7,800)	(7,722)	(6,512)
At 31 December 2019	48,135	47,655	40,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

34. CAPITAL RISK MANAGEMENT

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

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

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

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	**10,428,081**	9,965,101
Equity instrument at FVTOCI	**964**	4,262
Structured deposits at FVTPL	**604,559**	–
Financial liabilities		
Amortised cost	**8,194,242**	7,908,292

Financial risk management objectives and policies

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

35. 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 the interest bearing bank balances and bank borrowings at variable interest rate. Bank borrowings at fixed interest rates exposed the Group to fair value interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management will consider hedging significant interest rate risk should the need arise. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates offered by PBOC from its RMB denominated bank balances and bank borrowings, the fluctuation of the interest rates offered by the ICE Benchmark Administration and Euro Interbank Offered Rate from its USD, HKD and Euro denominated bank balances and bank borrowings.

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

If the interest rates on variable rate bank balances and bank borrowings had been 25 basis points (2018: 25 basis points) lower and all other variables were held constant, the potential effect on profit for the year is as follows:

	2019 **RMB'000**	2018 RMB'000
Increase in profit for the year	**3,541**	3,914

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

Currency risk

The Group has foreign currency sales and purchases during the year which exposed the Group to foreign currency risk. During the year ended 31 December 2019, approximately 2.5% (2018: 2.3%) of the Group's sales are denominated in currency other than the functional currency of the group entities which it relates.

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

	2019		2018	
	Assets **RMB'000**	**Liabilities** **RMB'000**	Assets RMB'000	Liabilities RMB'000
USD	**359,100**	**130,698**	148,516	99,382
HKD	**5,830**	**65,470**	7,197	83,478
SGD	**121,712**	**–**	93,752	–
Euro	**5**	**137,550**	1	157,680

35. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

The Group is mainly exposed to currency risk of USD, HKD, SGD and Euro. The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. If RMB strengthens 5% (2018: 5%) against the relevant foreign currencies, the increase (decrease) in post tax profit for the year is as follows:

	2019 **RMB'000**	2018 RMB'000
USD	**(9,707)**	(2,088)
HKD	**2,535**	3,253
SGD	**(5,173)**	(3,984)
Euro	**5,846**	6,701

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

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the year does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, loan to an associate, pledged bank deposits, bank deposits with original maturity over three months and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with settlement of certain trade receivables are backed by bank bills issued by reputable financial institutions.

In order to minimise the credit risk, the management has reviewed the recoverable amounts of trade receivables regularly to ensure that follow-up action is taken timely and assigned a dedicated team to monitor the credit risk. In addition, the Group performed impairment assessment under ECL model upon application of HKFRS 9 based on provision matrix/individual assessment. In this regard, the directors of the Company consider that the credit risk on trade receivables is significantly reduced.

For other receivables, management of the Group make periodic individual assessment on the recoverability of other receivables based on historical settlement records and past history. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

For loan to an associate, management of the Group regularly monitors the business performance of the associates and make periodic individual assessment on the recoverability of loan to an associate. The management of the Group assesses the risk of default after taking into the consideration of the value of the assets held by the associate and its operating results.

35. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

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

In determining the ECL for trade receivables backed by bank bills, the management of the Group considers the risk of default is low as the trade receivables are backed by bank bills issued by banks with high credit rating, and accordingly, the management applied the ECL rate at 0.2% in the ECL assessment. At 31 December 2019, the gross carrying amount of trade receivables backed by bank bills is RMB453,407,000 (2018: RMB639,045,000).

For trade receivables not backed by bank bills, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these by using a provision matrix, grouped by shared credit risk characteristics of these trade receivables.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables not backed by bank bills which are assessed based on provision matrix within lifetime ECL (not credit impaired).

At 31 December 2019

	Gross carrying amount RMB'000	Weighted average loss rate	Loss allowance RMB'000	Net carrying amount RMB'000
Age				
0–365 days	**3,640,370**	**1.77%**	**64,283**	**3,576,087**
1–2 years	**572,969**	**14.37%**	**82,361**	**490,608**
2–3 years	**353,384**	**23.19%**	**81,949**	**271,435**
Over 3 years	**501,238**	**38.51%**	**193,006**	**308,232**
	5,067,961		**421,599**	**4,646,362**

At 31 December 2018

	Gross carrying amount RMB'000	Weighted average loss rate	Loss allowance RMB'000	Net carrying amount RMB'000
Age				
0–365 days	3,388,042	1.20%	40,622	3,347,420
1–2 years	704,610	5.62%	39,590	665,020
2–3 years	415,511	25.15%	104,505	311,006
Over 3 years	258,178	64.23%	165,831	92,347
	4,766,341		350,548	4,415,793

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

At 31 December 2019

	Gross carrying amount		
	Past due RMB'000	Not past due/ no fixed repayment terms RMB'000	Total RMB000
Other receivables	–	141,160	141,160
Loan to an associate	–	55,160	55,160

At 31 December 2018

	Gross carrying amount		
	Past due RMB'000	Not past due/ no fixed repayment terms RMB'000	Total RMB'000
Other receivables	39,104	191,151	230,255
Loan to an associate	–	57,700	57,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

	Loan to an associate under lifetime ECL (credit-impaired) RMB'000	Other receivables under 12m ECL (not credit-impaired) RMB'000	Other receivables under lifetime ECL (credit-impaired) RMB'000	Trade receivables not backed by bank bills under lifetime ECL (not credit-impaired) RMB'000	Trade receivables backed by bank bills under lifetime ECL (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018	–	3,940	–	290,069	–	294,009
Changes due to financial instruments recognised as at 1 January 2018:						
— Impairment losses recognised	–	2,869	39,104	19,857	–	61,830
Impairment losses recognised for new financial assets originated	–	–	–	40,622	–	40,622
As at 31 December 2018	–	6,809	39,104	350,548	–	396,461
Changes due to financial instruments recognised as at 1 January 2019:						
— Impairment losses recognised	20,756	–	–	16,324	–	37,080
— Impairment losses reversed	–	(274)	–	–	–	(274)
— Write-offs	–	–	(39,104)	(9,556)	–	(48,660)
Impairment losses recognised for new financial assets originated	–	–	–	64,283	907	65,190
As at 31 December 2019	20,756	6,535	–	421,599	907	449,797

Liquidity risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

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

	Weighted average effective interest rate %	Repayable on demand or less than 6 months RMB'000	6 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2019					
Trade and other payables	–	4,936,117	–	4,936,117	4,936,117
Amounts due to directors	–	5,325	–	5,325	5,325
Bank borrowings:					
— variable rate	3.11	107,625	227,754	335,379	330,550
— fixed rate	5.00	1,622,163	1,366,310	2,988,473	2,922,250
		6,671,230	1,594,064	8,265,294	8,194,242
Lease liabilities	3.35	–	170	170	169

	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 2018					
Trade and other payables	–	4,629,100	–	4,629,100	4,629,100
Amounts due to directors	–	4,877	–	4,877	4,877
Bank borrowings:					
— variable rate	3.85	202,743	285,627	488,370	481,172
— fixed rate	4.45	1,471,329	1,385,095	2,856,424	2,793,143
		6,308,049	1,670,722	7,978,771	7,908,292

35. FINANCIAL INSTRUMENTS *(continued)*

Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	31 December		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2019 RMB'000	2018 RMB'000				
Financial asset at FVTOCI	Unlisted equity investment: 964	Unlisted equity investment: 4,262	Level 3	Dividend yield	Dividend yield of several comparable companies	The lower the dividend yield, the higher the fair value of unlisted equity securities.
Structured deposits	604,559	–	Level 3	Discounted cash flow	Discount rate	The higher the discount rate, the lower the fair value.

	Unlisted equity investment RMB'000	Structured deposits RMB'000
Reconciliation of Level 3 fair value measurements		
At 1 January 2018	5,350	–
Fair value loss in other comprehensive income	(1,088)	–
At 31 December 2018	4,262	–
Fair value loss in other comprehensive income	(3,298)	–
Purchases	–	604,559
At 31 December 2019	964	604,559

Fair value of the Group's financial assets that are not measured at fair value on a recurring basis

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

36. OPERATING LEASE COMMITMENTS

At 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due are as follows:

	RMB'000
Within one year	564
In the second to fifth year inclusive	165
	729

The leases are negotiated for lease terms of 1 to 5 years at fixed monthly rental for 2018.

37. CAPITAL COMMITMENT

	2019 RMB'000	2018 RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**15,241**	22,640

38. RETIREMENT BENEFITS SCHEMES

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

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

The total expense recognised in profit or loss of approximately RMB47,232,000 (2018: RMB47,624,000) represents contribution payable to these schemes by the Group at rates specified in the rules of the plan.

39. RELATED PARTIES TRANSACTIONS

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

	2019 RMB'000	2018 RMB'000
Sales of goods to an associate	3,719	2,866
Purchases of goods from an associate	1,361	7,186
Interest income from an associate	4,966	6,258
Amount due from an associate included in trade receivables	15,087	27,223

The amount due from an associate included in trade receivables is unsecured, non-interest bearing and has a credit term of 180 days.

Other than the transactions and balances with related parties above and those disclosed in notes 19 and 27, the Group had no other significant transactions and balances with related parties during the year.

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

40. 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.

	Amounts due to directors RMB'000 *(note 27)*	Bank borrowings RMB'000 *(note 28)*	Interest payable RMB'000	Lease liabilities RMB'000 *(note 29)*	Total RMB'000
At 1 January 2018	5,236	3,332,080	–	–	3,337,316
Financing cash flows	(359)	(376,787)	–	–	(377,146)
Interest expense	–	319,022	–	–	319,022
At 31 December 2018	4,877	3,274,315	–	–	3,279,192
Adjustment upon application of HKFRS 16	–	–	–	508	508
As at 1 January 2019 (restated)	4,877	3,274,315	–	508	3,279,700
Financing cash flows	448	(21,515)	(292,456)	(351)	(313,874)
Interest expense	–	–	292,754	12	292,766
At 31 December 2019	5,325	3,252,800	298	169	3,258,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Interest in a subsidiary	**1,381,448**	1,381,448
Amounts due from subsidiaries	**1,308,221**	–
Property, plant and equipment	**–**	10
	2,689,669	1,381,458
Current assets		
Other receivables	**1,120**	1,705
Amounts due from subsidiaries	**1,955**	767,841
Pledged bank deposits	**149,226**	84,932
Bank balances and cash	**4,644**	6,547
	156,945	861,025
Current liabilities		
Other payables	**3,373**	3,588
Amounts due to directors	**3,197**	2,844
Amount due to a subsidiary	**86,441**	84,565
Bank borrowings - due within one year	**90,657**	80,150
	183,668	171,147
Net current (liabilities) assets	**(26,723)**	689,878
Net assets	**2,662,946**	2,071,336
Capital and reserves		
Share capital	**51,350**	32,951
Reserves *(Note 42)*	**2,611,596**	2,038,385
Total equity	**2,662,946**	2,071,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

42. RESERVES OF THE COMPANY

	Share premium RMB'000	Special reserve RMB'000	Shares held for share award scheme RMB'000	Employee share-based compensation reserve RMB'000	Accumulated (losses) profits RMB'000	Total RMB'000
At 1 January 2018	1,983,889	148,696	(41,581)	2,786	(82,271)	2,011,519
Profit and total comprehensive income for the year	–	–	–	–	30,082	30,082
Recognition of equity-settled share-based payments	–	–	–	1,905	–	1,905
Purchase of shares under share award scheme	–	–	(5,121)	–	–	(5,121)
At 31 December 2018	1,983,889	148,696	(46,702)	4,691	(52,189)	2,038,385
Profit and total comprehensive income for the year	–	–	–	–	90,083	90,083
Issue of shares	482,730	–	–	–	–	482,730
Recognition of equity-settled share-based payments	–	–	–	398	–	398
Shares vested under share award scheme	–	–	6,512	(5,089)	(1,423)	–
At 31 December 2019	2,466,619	148,696	(40,190)	–	36,471	2,611,596

43. SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ legal entities	Issued and paid up capital	Attributable equity interest of the Group 2019 %	2018 %	Principal country/ place of operation	Principal activities
Extra Fame Group Limited*	BVI/Limited liability	USD10,438,413	100	100	Hong Kong	Investment holding
Wuxi Jiangnan Cable	PRC WFOE[(1)]	USD142,563,484	100	100	PRC	Manufacture of and trading in wires and cables
Jiangnan Cable (HK) Limited	Hong Kong/Limited liability	HK$10	100	100	Hong Kong	Investment holding and trading in copper conductors
JNHB Trading Co., Ltd.	Hong Kong/Limited liability	HK$100	100	100	Hong Kong	Trading in wires and cables

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

43. SUBSIDIARIES *(continued)*

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

Name of subsidiary	Place of incorporation/ legal entities	Issued and paid up capital	Attributable equity interest of the Group		Principal country/ place of operation	Principal activities
			2019 %	2018 %		
Wuxi New Suneng Electric Power Science & Technology Co., Ltd.	PRC WFOE[(1)]	HK$141,000,000	100	100	PRC	Manufacture of and trading in aluminium alloy and double capacity conductors
SA Asia Cable (Proprietary) Limited	South Africa/Limited liability	RAND75,001,000	100	100	South Africa	Trading in wires and cables
Jiangsu Zengyang Investment Company Limited	PRC WFOE[(1)]	RMB250,000,000	100	100	PRC	Investment holding
Jiangsu Zenghui Investment Co., Ltd.	PRC WFOE[(1)]	RMB250,000,000	100	100	PRC	Investment holding
Zhongmei Cable	PRC WFOE[(1)]	RMB250,000,000	100	100	PRC	Manufacture of and trading in wires and cables
New Sun	Cayman Islands/Limited liability	HK$1	100	100	Hong Kong	Investment holding
New Sun Cable (HK) Company Limited	Hong Kong/Limited liability	HK$1	100	100	Hong Kong	Investment holding
Wuxi New Sun Cable Company Limited	PRC WFOE[(1)]	RMB208,000,000	100	100	PRC	Manufacture of and trading in wires and cables
Kai Da	Cayman Islands/Limited liability	HK$0.01	100	100	Hong Kong	Investment holding
Kai Da Cable (HK) Company Limited	Hong Kong/Limited liability	HK$1	100	100	Hong Kong	Investment holding
Jiangsu Kai Da Cable Company Limited	PRC WFOE[(1)]	RMB208,000,000	100	100	PRC	Manufacture of and trading in wires and cables

43. SUBSIDIARIES *(continued)*

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

Name of subsidiary	Place of incorporation/ legal entities	Issued and paid up capital	Attributable equity interest of the Group		Principal country/ place of operation	Principal activities
			2019 %	2018 %		
Jiangnan Power Assets Limited	BVI/Limited liability	USD1	100	100	Hong Kong	Investment holding
Jiangnan Power Assets (HK) Limited	Hong Kong/Limited liability	HK$1	100	100	Hong Kong	Investment holding
Wuxi Changyi Electric Power Engineering Company Limited	PRC WFOE[1]	USD10,000,000	100	100	PRC	Engineering, procurement and construction of electric power related projects

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

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

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

44. EVENT AFTER THE REPORTING PERIOD

Since the outbreak of the 2019 Novel Coronavirus ("COVID-19") in China in early 2020, the Chinese government implemented various prevention and emergency measures, such as a partial lockdown policy and extending the holiday of Chinese New Year, in order to minimise the population movement to mitigate the threat of spreading the epidemic across China. It is anticipated that the epidemic situation would have certain negative impacts on the production and sales of the Group in the first quarter of 2020. The outbreak of COVID-19 is a non-adjusting event after the reporting period and does not result in any material adjustments to the audited consolidated financial statements of the Group for the year ended 31 December 2019. The Group will continue to monitor the development of the epidemic and perform further assessment of its impacts.

Furthermore, the outbreak of COVID-19 has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays and increased demand for working capital. The Group has put in place contingency measures to lower the impact from this outbreak.

FINANCIAL SUMMARY

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

	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000	**2019 RMB'000**
Results					
Turnover	9,167,273	9,111,232	11,374,969	13,525,377	**14,524,221**
Cost of goods sold	(7,685,477)	(7,753,184)	(10,051,100)	(12,038,767)	**(13,005,393)**
Gross profit	1,481,796	1,358,048	1,323,869	1,486,610	**1,518,828**
Other income	73,823	84,925	57,099	84,999	**95,245**
Selling and distribution costs	(202,727)	(219,064)	(276,756)	(339,631)	**(429,575)**
Administrative expenses	(179,185)	(234,598)	(236,272)	(294,556)	**(265,540)**
Other expenses	(30,732)	(32,205)	(35,387)	(57,543)	**(62,735)**
Other gains (losses), net	(4,166)	(3,514)	(388,833)	(191,669)	**9,022**
Impairment losses of financial assets, net of reversal	(24,834)	(65,026)	(47,969)	(102,452)	**(101,996)**
Share of results of associates	(1,139)	(12,127)	1,324	(4,836)	**(10,608)**
Finance costs	(243,316)	(221,635)	(251,913)	(319,022)	**(292,766)**
Profit before taxation	869,520	654,804	145,162	261,900	**459,875**
Taxation	(166,259)	(124,930)	(41,250)	(79,479)	**(76,652)**
Profit for the year	703,261	529,874	103,912	182,421	**383,223**
Assets and liabilities					
Non-current assets	1,234,175	1,261,060	1,373,765	1,315,042	**1,287,191**
Current assets	10,885,090	11,204,561	12,060,102	13,248,862	**14,292,289**
Total assets	12,119,265	12,465,621	13,433,867	14,563,904	**15,579,480**
Current liabilities	7,146,023	7,096,600	8,072,819	9,069,052	**9,223,459**
Non-current liabilities	77,317	71,929	70,041	70,427	**47,821**
Total liabilities	7,223,340	7,168,529	8,142,860	9,139,479	**9,271,280**
Net assets	4,895,925	5,297,092	5,291,007	5,424,425	**6,308,200**