

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



JIANGNAN GROUP LIMITED

江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 14.7% to RMB2,406.2 million (2011: RMB2,098.5 million)
- Gross profit increased by approximately 15.2% to RMB376.5 million (2011: RMB326.7 million)
- Profit for the period attributable to owners of the Company increased by approximately 21.9% to RMB158.9 million (2011: RMB130.3 million)
- Basic earnings per share increased by approximately 9.2% to RMB11.9 cents (2011: RMB10.9 cents)
- The Board declared an interim dividend of HK3.8 cents per share (2011: Nil)
- The Board proposed a bonus issue of new shares on the basis of one bonus share for every one existing share, subject to condition set out in this announcement.

The Board of Directors (the “Directors”) of Jiangnan Group Limited (“Jiangnan” or the “Company”) are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six-month period ended 30 June 2012 together with the unaudited comparative figures for the corresponding period of the immediately preceding year for the six-month period ended 30 June 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2012

	<i>Notes</i>	Six-month period ended	
		30.6.2012 <i>RMB'000</i> (unaudited)	30.6.2011 <i>RMB'000</i> (unaudited)
Turnover	3	2,406,240	2,098,484
Cost of goods sold		(2,029,731)	(1,771,747)
Gross profit		376,509	326,737
Other income	4	6,780	5,026
Selling and distribution costs		(46,898)	(45,993)
Administrative expenses		(39,204)	(47,179)
Other expenses		(21,944)	(13,795)
Other gains and losses		(24)	(11,499)
Finance costs		(81,946)	(53,997)
Profit before taxation	5	193,273	159,300
Taxation	6	(34,388)	(28,992)
Profit for the period attributable to owners of the Company		158,885	130,308
Other comprehensive income			
Exchange differences arising from translation of a foreign operation		2,773	(5,260)
Total comprehensive income for the period attributable to owners of the Company		161,658	125,048
Earnings per share — Basic	8	11.9 cents	10.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Notes</i>	30.6.2012 RMB'000 (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment	9	406,377	346,727
Land use rights		49,368	49,983
Deposit paid for acquisition of property, plant and equipment		7,587	15,283
		463,332	411,993
Current assets			
Inventories		1,175,215	1,185,879
Trade and other receivables	10	2,052,377	1,426,190
Land use rights		1,229	1,229
Pledged bank deposits		942,353	482,165
Bank balances and cash		467,504	677,897
		4,638,678	3,773,360
Current liabilities			
Trade and other payables	11	1,718,138	1,539,537
Amounts due to directors		14,074	13,314
Short-term bank borrowings	12	1,622,500	1,401,825
Taxation payable		4,271	23,161
		3,358,983	2,977,837
Net current assets		1,279,695	795,523
Total assets less current liabilities		1,743,027	1,207,516
Non-current liabilities			
Government grants		5,023	5,260
Deferred taxation		24,371	20,245
		29,394	25,505
		1,713,633	1,182,011
Capital and reserves	13		
Share capital		12,501	85,665
Reserves		1,701,132	1,096,346
		1,713,633	1,182,011

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2012

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i> <i>(Note a)</i>	Capital reserve <i>RMB'000</i> <i>(Note a)</i>	Special reserve <i>RMB'000</i> <i>(Note e)</i>	Non- distributable reserve <i>RMB'000</i> <i>(Note b)</i>	Statutory reserve <i>RMB'000</i> <i>(Note c)</i>	Translation reserve <i>RMB'000</i>	Accumulated profit <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2010 (audited)	82,771	—	66,006	—	77,351	63,854	3,004	582,747	875,733
Exchange differences arising from translation of foreign operations	—	—	—	—	—	—	(5,260)	—	(5,260)
Profit for the period	—	—	—	—	—	—	—	130,308	130,308
Total comprehensive income for the period	—	—	—	—	—	—	(5,260)	130,308	125,048
Issue of shares	2,894	63,112	(66,006)	—	—	—	—	—	—
As at 30 June 2011 (unaudited)	85,665	63,112	—	—	77,351	63,854	(2,256)	713,055	1,000,781
As at 31 December 2011 (audited)	85,665	63,112	—	—	77,351	98,298	(8,163)	865,748	1,182,011
Exchange differences arising from translation of foreign operations	—	—	—	—	—	—	2,773	—	2,773
Profit for the period	—	—	—	—	—	—	—	158,885	158,885
Total comprehensive income for the period	—	—	—	—	—	—	2,773	158,885	161,658
Issue of shares pursuant to group reorganisation	81	—	—	(81)	—	—	—	—	—
Elimination on group reorganisation	(85,665)	(63,112)	—	148,777	—	—	—	—	—
Capitalisation issue	9,669	(9,669)	—	—	—	—	—	—	—
Issue of shares of the Company on Initial Public Offering	2,751	387,909	—	—	—	—	—	—	390,660
Expenses incurred in connection with issue of shares	—	(20,696)	—	—	—	—	—	—	(20,696)
As at 30 June 2012 (unaudited)	<u>12,501</u>	<u>357,544</u>	<u>—</u>	<u>148,696</u>	<u>77,351</u>	<u>98,298</u>	<u>(5,390)</u>	<u>1,024,633</u>	<u>1,713,633</u>

(a) Pursuant to an investment agreement (“Investment Agreement”) dated 1 July 2010 entered into between Extra Fame Group Limited (“Extra Fame”), Furui Investments Limited (“Furui Investments”) and Sinostar Holdings Limited (“Sinostar”), Furui Investments had agreed to subscribe for 2.31% of the issued share capital of Extra Fame at the total subscription price of US\$5,500,000 (approximately RMB36,303,000) while Sinostar had agreed to subscribe for 1.89% of the issued share capital of Extra Fame at the total subscription price of US\$4,500,000 (approximately RMB29,703,000). The subscription price was fully settled by Furui Investments and Sinostar in cash in November 2010. On 14 January 2011, 241,127 shares of US\$1 each in the capital of Extra Fame (representing an approximately 2.31% of the enlarged issued share capital of Extra Fame) were issued to Furui Investments and 197,286 shares of US\$1 each in the capital of Extra Fame (representing an approximately 1.89% of the enlarged issued share capital of Extra Fame) were issued to Sinostar pursuant to the Investment Agreement.

As at 31 December 2010, consideration of US\$10,000,000 (approximately RMB66,006,000) received by Extra Fame in November 2010 was classified as capital contribution from Furui Investments and Sinostar as the shares of Extra Fame were issued to them in January 2011.

(b) The non-distributable reserve represents capitalisation of retained profit of Wuxi Jiangnan Cable Co., Ltd. (“Jiangnan Cable”) for capital re-investment 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 subsidiary of the Group is 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 subsidiary while the amounts and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.
- (d) On 20 April 2012, in connection with the Global Offering of the Company shares for listing, the Company issued 338,600,000 shares based on the offer price of HK\$1.42 per offer share.
- (e) The special reserve represents the difference between the nominal value of the shares of the Company issued in exchange for the active equity interest in Extra Fame pursuant to the group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2012

	Six-month period ended	
	30.6.2012 <i>RMB'000</i> (unaudited)	30.6.2011 <i>RMB'000</i> (unaudited)
Net cash used in operating activities	<u>(197,956)</u>	<u>(357,040)</u>
Net cash used in investing activities	<u>(524,661)</u>	<u>(136,813)</u>
Net cash generated from financing activities	<u>509,451</u>	<u>56,973</u>
Net decrease in cash and cash equivalents	<u>(213,166)</u>	<u>(436,880)</u>
Cash and cash equivalents at beginning of the period	677,897	622,382
Effect of foreign exchange rate changes	<u>2,773</u>	<u>(5,260)</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>467,504</u></u>	<u><u>180,242</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIC OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group’s chief operating decision maker has been identified as the board of directors of the company who reviews the business of the following reportable operating segments by products:

- Power cables
- Wires and cables for electrical equipment
- Bare wires

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

Turnover represents the fair value of the consideration received and receivable for goods sold during the period.

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

The information of segment results are as follows:

	Six-month period ended	
	30.6.2012 <i>RMB'000</i> (unaudited)	30.6.2011 <i>RMB'000</i> (unaudited)
Revenue		
— power cables	1,680,834	1,482,034
— wires and cables for electrical equipment	567,411	458,227
— bare wires	157,995	158,223
	<hr/> 2,406,240	<hr/> 2,098,484
Cost of goods sold		
— power cables	1,389,725	1,241,042
— wires and cables for electrical equipment	499,570	386,496
— bare wires	140,436	144,209
	<hr/> 2,029,731	<hr/> 1,771,747
Segment result		
— power cables	291,109	240,992
— wires and cables for electrical equipment	67,841	71,731
— bare wires	17,559	14,014
	<hr/> 376,509	<hr/> 326,737

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

	Six-month period ended	
	30.6.2012 <i>RMB'000</i> (unaudited)	30.6.2011 <i>RMB'000</i> (unaudited)
Segment result	376,509	326,737
Unallocated corporate incomes	6,780	5,026
Unallocated corporate expenses	(108,070)	(118,466)
Finance costs	(81,946)	(53,997)
	<hr/> 193,273	<hr/> 159,300

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.

Other information

Turnover by geographical location of customers is presented as follows:

	Six-month period ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Turnover		
— PRC (country of domicile)	2,160,605	1,957,063
— South Africa	171,526	122,007
— Singapore	53,251	—
— United States	15,093	15,388
— South America	4,938	1,572
— Australia	827	74
— Hong Kong	—	2,380
	<u>2,406,240</u>	<u>2,098,484</u>

The Group mainly operates in two principal geographical areas — the PRC (excluding Hong Kong) and South Africa. As at 30 June 2012, approximately 89.8% (30 June 2011: 93.3%) of the Group's non-current assets were located in the PRC (the place of domicile).

Information about major customers

No customer contributing over 10% of the total sales of the Group during both periods.

4. OTHER INCOME

	Six-month period ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Interest income	4,879	4,345
Government subsidies (<i>Note</i>)	1,443	579
Others	458	102
	<u>6,780</u>	<u>5,026</u>

Note: The amount represents the incentive subsidies provided by the PRC local authorities to the Group to encourage business development in the Yixing region, research and energy reduction activities conducted by the Group and deferred income on government subsidies in relation to capital expenditure on property, plant and equipment. There are no specific conditions attached to each of these grants.

5. PROFIT BEFORE TAXATION

	Six-month period ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	17,902	12,666
Loss on disposal of property, plant and equipment	24	284
Research and development costs (included in other expenses)	5,721	4,159
Expenses in relation to initial public offering of the Company's shares (included in other expenses)	16,223	9,636
Minimum lease payment under operating lease in respect of property	492	169
Operating lease rentals in respect of land use rights	614	614
	<u> </u>	<u> </u>

6. TAXATION

	Six-month period ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
The charge comprises:		
PRC income tax	30,263	25,527
Deferred taxation	4,125	3,465
	<u> </u>	<u> </u>
Taxation charge for the period	<u>34,388</u>	<u>28,992</u>

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onward. Pursuant to the approval published on the website of the Yixing Provincial Commission of Science and Technology, Jiangnan Cable was endorsed as a High and New Technology Enterprise and was entitled to a reduced PRC income tax rate of 15% till next renewal in 2015.

No provision for Hong Kong Profits Tax has been provided in the condensed consolidated financial statements as the Group did not have assessable profit in Hong Kong during both periods.

7. DIVIDEND

The Board declared an interim dividend of HK3.8 cents per share for the six months ended 30 June 2012 (2011: nil) to the shareholders whose names appear on the register of members of the Company on 21 September 2012. The interim dividend will be paid on or about 30 October 2012.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data and on the assumption that the group reorganisation and capitalisation issue (note 13) has been effective on 1 January 2011:

	Six-month period ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Earnings attributable to the owners of the Company for the purpose of calculation of basic earnings per share	158,885	130,308
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	<u>1,333,951,648</u>	<u>1,200,000,000</u>

No diluted earnings per share are presented as there is no potential dilutive shares outstanding during both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2012, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Plant and machinery	4,704	6,907
Furniture, fixtures and equipment	793	2,148
Motor Vehicles	2,746	712
Construction in progress	<u>69,333</u>	<u>7,251</u>
Total	<u>77,576</u>	<u>17,018</u>

During the six-month period ended 30 June 2012, the Group disposed of property, plant and equipment with a carrying amount of RMB24,000 (2011: RMB284,000) at nil consideration.

As at 30 June 2012, the Group pledged certain of its buildings with an aggregate carrying value of RMB57,473,000 (31 December 2011: RMB59,020,000) to certain banks to secure credit facilities granted to the Group.

As at 30 June 2012, the Group pledged certain of its machinery with an aggregate carrying value of RMB54,412,000 (31 December 2011: RMB59,680,000) to certain banks to secure credit facilities granted to the Group.

During the period ended 30 June 2012, interest expense of RMB946,626 (2011: RMB443,000) have been capitalised.

10. TRADE AND OTHER RECEIVABLES

	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Trade receivables, net	1,925,062	1,313,371
Bills receivables	51,024	57,818
	1,976,086	1,371,189
Deposits paid to suppliers	7,806	1,902
Staff advances	1,495	5,384
Prepayments	9,383	5,117
Tender deposits	52,619	38,534
Other receivables	4,988	4,064
	2,052,377	1,426,190

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 days to 180 days to the external trade customers. The aged analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Age		
0 to 90 days	1,147,555	1,023,289
91 to 180 days	309,064	322,064
181 to 365 days	519,467	25,836
	1,976,086	1,371,189

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB1,111,112,000 as at 30 June 2012 (31 December 2011: RMB482,560,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, trade and bills receivables past due but not impaired are generally recoverable. The Group did not hold any collateral over these balances as at 30 June 2012. As at 31 December 2011, the Group pledged certain of its bills receivables with an aggregate carrying value of RMB53,938,000 to certain banks to secure credit facilities granted to the Group.

11. TRADE AND OTHER PAYABLES

	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Trade payables	301,626	412,122
Bills payables	1,264,000	835,000
	1,565,626	1,247,122
Payroll and welfare accruals	19,280	36,203
Receipt in advance from customers	56,325	198,394
Other tax payables	47,685	10,622
Other deposits	5,099	3,360
Other payables and accruals	24,123	43,836
	1,718,138	1,539,537

The average credit period on purchase of goods is 30 days. The aged analysis of trade and bills payables based on the invoice date at the end of the reporting period is as follows:

	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Age		
0 to 90 days	1,413,782	1,087,471
91 to 180 days	148,225	157,466
181 to 365 days	3,130	410
Over 1 year	489	1,775
	1,565,626	1,247,122

12. BANK BORROWINGS

	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
Secured	148,500	199,725
Secured and guaranteed by:		
— independent third parties	235,400	409,500
Unsecured and guaranteed by:		
— independent third parties	1,198,600	742,600
— directors, family members of directors, related companies and independent third parties	40,000	50,000
	1,622,500	1,401,825

The bank borrowings are payable within one year. All bank borrowings are denominated in Renminbi as at 30 June 2012 and 31 December 2011.

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

	30.6.2012 <i>RMB'000</i> (unaudited)	31.12.2011 <i>RMB'000</i> (audited)
For bank borrowings:		
— property, plant and equipment	111,885	118,700
— land use rights	50,597	51,212
— inventories	190,343	165,900
— bills receivables	—	53,938
For bank borrowings, bills payables and letter of credit:		
— Pledged bank deposits	942,414	482,165
	1,295,239	871,915

13. SHARE CAPITAL AND RESERVES

The Company was incorporated and registered as an exempted company in the Cayman Islands on 4 January 2011 with an authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each. Upon incorporation of the Company, one share of HK\$0.01 each was issued at nil paid.

On 25 February 2012, by resolution of the then sole shareholder of the Company, Power Heritage Group Limited (“Power Heritage”), the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 9,990,000,000 shares of HK\$0.01 each.

On 25 February 2012, all the shareholders of Extra Fame, namely, Power Heritage, Furui Investments and Sinostar, entered into a share transfer agreement with the Company, pursuant to which the shareholders of Extra Fame transferred the entire issued share capital of Extra Fame to the Company. On 25 February 2012, as the consideration of the acquisition, the Company issued and allotted 9,579,999, 231,000 and 189,000 new shares of the Company to Power Heritage, Furui Investments and Sinostar, respectively, and credited one nil paid share of the Company held by Power Heritage as fully paid. As a result, the Company was held as to 95.8% by Power Heritage, 2.31% by Furui Investments and 1.89% by Sinostar.

On 25 February 2012, shareholders' written resolutions were passed to approve the matters set out in the paragraph headed “Resolutions in writing of all Shareholders passed on 25 February 2012” in Appendix V to the Company's prospectus dated 10 April 2012 (“Prospectus”) which includes, conditional upon the granting of the listing of the shares of the Company by the Listing Committee of the Stock Exchange and the conditions in the Underwriting Agreements (as defined in the Prospectus) being fulfilled, 1,190,000,000 shares are to be issued and allotted to the Shareholders by way of capitalisation of the sum of HK\$11,900,000 (approximately RMB9,669,000) standing to the credit of the share premium account of the Company, such shares ranking pari passu in all respect with the existing issued shares of the Company.

On 20 April 2012, in connection with the Global Offering (as defined in the Prospectus) of the Company, the Company issued 338,600,000 shares based on the offer price of HK\$1.42 per offer share.

The share capital as at 31 December 2011 represented the then issued and fully paid share capital of the Company and Extra Fame.

The share capital as at 30 June 2012 represented the then issued and fully paid share capital of the Company:

	Number of shares	Amount in HK\$	Shown in the financial statements as RMB'000
Ordinary shares at HK\$0.01 each			
Authorised:			
On 4 January 2011 (date of incorporation) and 31 December 2011	10,000,000	100,000	
Increase pursuant to group reorganisation	<u>9,990,000,000</u>	<u>99,900,000</u>	
At 30 June 2012	<u>10,000,000,000</u>	<u>100,000,000</u>	
Issued and fully paid:			
Issue of share on 4 January 2011 (date of incorporation) and 31 December 2011	1	—	—
Issue of shares pursuant to group reorganisation	9,999,999	100,000	81
Capitalisation issue	1,190,000,000	11,900,000	9,669
Issue of shares of the Company under Initial Public Offering	<u>338,600,000</u>	<u>3,386,000</u>	<u>2,751</u>
At 30 June 2012	<u>1,538,600,000</u>	<u>15,386,000</u>	<u>12,501</u>

14. CAPITAL COMMITMENTS

	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— the acquisition of property, plant and equipment	50,406	7,983
— land conscription	<u>30,320</u>	<u>—</u>
	<u>80,726</u>	<u>7,983</u>

15. CONTINGENT LIABILITIES

As at 30 June 2012, neither the Group nor the Company had any significant contingent liabilities.

16. RELATED PARTY TRANSACTIONS

Other than the transactions and balances with related parties disclosed in the condensed consolidated statement of financial position as “Amounts due to directors” and the compensation of directors below (including the emoluments of directors of the Company) during the period, the Group has no other significant transactions and balances with related parties.

Compensation of directors

The compensation of directors during the period was as follows:

	Six-month period ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Basic salaries and allowances	1,078	832
Bonus	—	—
Retirement benefits scheme contributions	12	12
	<u>1,090</u>	<u>844</u>

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

17. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolution at the board of directors' meeting held on 27 August 2012, a bonus issue of shares was recommended on the basis of one new ordinary share of HK\$0.01 for every one existing share (“Bonus Issue”) held by the shareholders of the Company on a record date to be determined. The bonus shares will be credited by way of capitalisation of an amount equal to the total par value of the bonus shares in the contributed surplus account of the Company.

The Bonus Issue is conditional upon:

- (i) the obtaining of consent from the Underwriters (as defined in the Prospectus) for the Bonus Issue;
- (ii) the passing of ordinary resolution by the shareholders of the Company approving the Bonus Issue; and
- (iii) the Stock Exchange granting listing of, and permission to deal in, the bonus shares to be issued under the Bonus Issue.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the six-month period ended 30 June 2012, the Group's revenue recorded RMB2,406.2 million, representing an increase of approximately 14.7% as compared with the same period in 2011 and a net profit for the period under review amounted to RMB158.9 million, representing an increase of approximately 21.9% over the same period in 2011. The Group's gross profit margin for the six-month period ended 30 June 2012 remained stable at approximately 15.6%. Basic earnings per share for the period under review were RMB11.9 cents (2011: RMB10.9 cents), representing an increase of approximately 9.2%.

Market and Business Review

During the period under review, London Metal Exchange Limited ("LME") prices of copper fluctuated in the range of USD7,400 to USD8,500 per tonne with an average of approximately USD8,100 per tonne while LME prices for the six-month period ended 30 June 2011 were trading on average USD9,500 per tonne. Average LME prices for aluminium for the six-month period ended 30 June 2012 were trading at approximately USD2,075 per tonne while average LME prices for aluminium during the six-month period ended 30 June 2011 were trading at approximately USD2,600 per tonne. Both average prices of copper and aluminium for the period under review were lower than the same period in 2011.

Despite the decrease in copper and aluminium prices as compared with the same period last year and recent market difficulties such as the European debt crises, the Group continued to sustain revenue growth in its two major product categories: power cables and wire & cables for electrical equipment due to increase in quantity sold.

The Group's power cables continued to be the Group's key revenue contributor (accounted for approximately 69.9% of total revenue) and delivered satisfactory performance.

Revenue by Geographical Markets

The PRC remains the Group's key market. Sales to the PRC market increased by approximately 10.4% to RMB2,160.6 million and accounted for approximately 89.8% of total revenue, the increase was primarily due to increase in quantity sold of power cables.

Overseas markets also recorded a substantial growth in revenue of approximately 73.7% as a result of (a) an increase in quantity ordered from the Group's major customer, Eskom Holdings Limited; and (b) new orders received from Power Works Pte Ltd of Singapore during the period under review.

Selling and Distribution Expenses

Selling and distribution expenses increased slightly by approximately 2.0% from RMB46.0 million to RMB46.9 million. The increase was mainly due to increase in transportation expenses as a result of increase in quantity sold.

Administrative Expenses

Administrative expenses decreased by approximately 16.9% from RMB47.2 million to RMB39.2 million. The decrease was mainly due to the decrease in bank charges and other tax charges incurred during the period under review.

Other Expenses

Other expenses increased by approximately 59.1% from RMB13.8 million to RMB21.9 million, primarily due to increase in one-off expenses incurred during the period under review.

Finance Costs

Finance costs increased by approximately 51.8% from RMB54.0 million to RMB81.9 million mainly due to the increase in short-term bank borrowings and bills payables required for the business operations during the period under review.

Profit for the Period

Higher gross profit coupled with decrease in administrative expenses and decrease in other losses were offset by the increase in finance costs and other expenses, resulting in profit for the period under review increased by approximately 21.9% from RMB130.3 million to RMB158.9 million.

Financial Position and Liquidity

As at 30 June 2012, total assets of the Group amounted to RMB5,102.0 million (31 December 2011: RMB4,185.4 million).

Non-current assets increased by approximately 12.5% from RMB412.0 million as at 31 December 2011 to RMB463.3 million. The increase was mainly due to the construction of the new workshop for the production of aluminium alloy products.

Current assets increased by approximately 22.9% from RMB3,773.4 million as at 31 December 2011 to RMB4,638.7 million mainly due to higher trade receivables as a result of increasing business activity towards the second quarter of 2012 and the portion of unutilized net proceeds from IPO deposited in bank.

Total interest-bearing bank borrowings increased by approximately 15.7% from RMB1,401.8 million as at 31 December 2011 to RMB1,622.5 million. Of the Group's total bank loans and other borrowings, 100% of short-term borrowings were made by the Group's subsidiary Wuxi Jiangnan Cable Co. Ltd. These loans were not guaranteed by the Company.

Equity attributable to the equity holders of the Company was RMB1,713.6 million as at 30 June 2012, approximately 45.0% higher than the RMB1,182.0 million as at 31 December 2011.

As at 30 June 2012, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balance and pledged bank deposits) of RMB212.6 million over total equity of RMB1,713.6 million, improved from approximately 20.5% (as at 31 December 2011) to approximately 12.4%.

The Group's borrowings are mainly denominated in Renminbi ("RMB") and carry People's Bank of China plus rates. As its revenue is mainly denominated in RMB and major expenses are made either in RMB or HK Dollars, the Group faces relatively low currency risk.

Contingent Liabilities

As at 30 June 2012, neither the Group nor the Company had any significant contingent liabilities.

IPO

On 20 April 2012, the Company completed an issue of 338.6 million new ordinary shares at HK\$1.42 each by way of initial public offering to raise net proceeds of approximately RMB370.0 million.

Dividend

The Board declared an interim dividend of HK3.8 cents per share for the six months ended 30 June 2012 (2011: nil) to the shareholders whose names appear on the register of members of the Company on 21 September 2012. The interim dividend will be paid on or about 30 October 2012.

Closure of Register of Members

For the purpose of determining the entitlement to the interim dividend for the six months ended 30 June 2012, the register of members of the Company will be closed from 19 September 2012 to 21 September 2012, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2012, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on 18 September 2012.

Proposed Bonus Issue of Shares

The Board recommended the Bonus Issue on the basis of one new ordinary share of HK\$0.01 for every one existing share held by the shareholders of the Company on a record date to be determined. The bonus shares will be credited by way of capitalisation of an amount equal to the total par value of the bonus shares in the contributed surplus account of the Company.

The Bonus Issue is conditional upon:

- (i) the obtaining of consent from the Underwriters (as defined in the Prospectus) for the Bonus Issue;
- (ii) the passing of an ordinary resolution by the shareholders of the Company approving the Bonus Issue; and
- (iii) the Stock Exchange granting listing of, and permission to deal in, the bonus shares to be issued under the Bonus Issue.

A circular containing further details of the Bonus Issue will be despatched to the shareholders of the Company as soon as possible.

Employees and Remuneration

As at 30 June 2012, the Group had a total of approximately 2,060 employees. Remuneration packages offered to employees are in line with industry standards and reviewed annually. The award of bonuses is discretionary and based on the performance of, firstly, the individual employee, and secondly, the Group.

Property, Plant and Equipment

During the six-month period ended 30 June 2012, the Group's Property, Plant and Equipment increased from RMB346.7 million as at 31 December 2011 to RMB406.4 million as at 30 June 2012, representing an increase of approximately 17.2%. The increase was mainly attributed to the increase in construction in progress for setting up production facilities for aluminium alloy and double capacity conductors.

Prospects

In the first half of 2012, the global economy continued its recovery tendency from last year. However, due to the effects such as the European debt crisis, weakness of the US economy recovery and worldwide inflation, the global economy faces many uncertainties. These problems brought a certain level of impact to the worldwide economic activities; hence the pace of recovery was slowed down. In the second half of 2012, in order to regain the momentum for the global economy, the Group believes the focus will be to strengthen the cooperation between nations, maintain financial stability, and to balance between tightening and growth. For the purpose of development, the European Union has implemented various measures to prevent the risk of the outspread of the debt crisis. The slowdown of the falling trend of the new economies will help to bring a moderate recovery of the US economy. There were signs showing that the pace of improvement is increasing. It is expected that the global economic cycle will be more stable in the second half of the year and there is possibility that the trend of moderate improvement can be maintained.

In the PRC, from both the financial and economic prospects of an entity, the effect of the current global economic situation towards the PRC is relatively limited. Protection measures which prevent the downturn of the PRC economy has been implemented, these measures principally include lower interest rate, increase in infrastructure expense etc. With the effect of these measures, the PRC economy remained stable in the first half of 2012. It is expected that in the second half of 2012, as the effect of the above measures may further realize, coupled with the vitality of the economies and constant domestic demand in the PRC, the Chinese economy may be able to maintain a stable growing trend.

The Group operates in the wire and cable industry, which is the second large industry after motor industry, representing one-fourth of the production capacity of the PRC electronic engineering industry and is considered to be the “vascular” of the nation’s economy. In recent years, as the Chinese economy keeps growing, the Chinese wire and cable industry also develop violently. At the end of the “Eleventh Five-year” the national production value of the wire and cable industry reached RMB500,000 million, the scale of industry was among the top in the world, the overall standard of the products has also reached an advanced level around the globe. During the “Twelfth Five-year” period, it is expected that the wire and cable industry will maintain its rapid development and capture more market opportunity.

Wire and cable industry faces the opportunity of the new model of smart grid construction in the rural area of the PRC. Recently, the State Grid Corporation of China and the China Southern Power Grid announced transformation plan of the grid in rural area and investment budget during the “Twelfth Five-year” period, they decided to implement the new phrase of transformation and upgrade project for the grid in rural area. State Grid Corporation of China will arrange RMB410,000 million on the transformation of the grid in rural area, and the proposed amount of investment made by the China Southern Power Grid will be RMB111,600 million, the total amount will be RMB521,600 million. Based on this scale, the investment amount of the new phrase of transformation and upgrade project for the grid in rural area for the first three years will be more than RMB300,000 million. As the transformation of grid in rural area goes further, wire and cable industry will enter into a new period of development. This will be a good opportunity and positive message for the electric wires production and selling enterprise which acts as the major provider of the project for the grid in rural area.

Ultra high voltage grid network will be a vital investment direction and increment of the PRC grid during the “Twelfth Five-year” period. According to the planning of the State Grid Corporation of China, in 2015, the “Three China” ultra high voltage grid network will be established in Northern China, Middle China and Eastern China, forming the “three vertical, three horizontal and one ring grid” network system. In the coming five years, the investment amount of ultra high voltage grid network can reach RMB270,000 million, which is more than 13 times of the approximately RMB20,000 million made in the “Eleventh Five-year” period. This will provide enormous room for the development of the wire and cable industry. Large scale enterprises which have better branding effect in the PRC and with absolute competitive advantage in the industry will directly benefit from it.

Based on the economies of the PRC and other countries, sales of the Group in the first six months ended 30 June 2012 recorded a growth of approximately 14.7% to RMB2,406.2 million, representing an increase of RMB307.7 million over the corresponding period in 2011.

To ensure the persistent and stable growth of the Group's profit so as to maximize the return to the shareholders has always been the development ideology of the Group. Meanwhile, management enhancement, exploration and innovation, rapid development, maintaining a satisfactory operating results will be the foundation for our continuous and steady growth.

Accordingly, it is expected that the operation of the Group in the second half of 2012 will maintain its good momentum. Apart from ensuring the production and sales results to maintain stable organic growth, the Group will increase marketing in overseas markets and identify more high-end customers around the world. The Group will continue to strengthen its technical advantage, promote skill enhancement and equipment upgrade, improve the quality of the existing products and make use of the strong research and development ability of the Group to focus on the research and development of the green, environmental friendly and low-carbon new products. The Group will strictly follow the details set out in the section headed "Future plans and use of proceeds" in the prospectus ("Prospectus") of the Company issued on 10 April 2012, reasonably use the net proceeds raised from the IPO. The Group will expand the number of talents and optimize the structure and standard of these talents through the combination of external engagement and internal training. The Group will expedite the construction of overseas production base in South Africa. It will also maintain and develop cooperative relationship with the market in these regions in order to expand the sales network overseas and establish an external supporting system for its foreign trade development. The Group will adopt the above measures to maintain our leading position in the industry. The Group hopes to see a breakthrough in its results and speed up its growth.

PURCHASE, SALE OR REDEMPTION

Since 20 April 2012, the date on which the shares of the Company were listed on the Main Board of the Stock Exchange to 30 June 2012 ("Relevant Period"), neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company during such period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code of Corporate Governance (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange. The Company has complied with all the applicable code provisions in the CG Code save for the deviation below during the Relevant Period.

Pursuant to code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer, with Mr. Rui Fubin currently performing these two roles. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within 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 and this structure will enable the Company to make and implement decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on securities transaction by directors on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Model Code”).

Specific enquiry has been made of all the directors of the Company who have confirmed their compliance with the required standards set out in the Model Code and its code of conduct regarding directors’ securities transactions during the Relevant Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and has reviewed the unaudited interim financial statements of the Group for the six-month period ended 30 June 2012.

The members of the Audit Committee are Mr. Poon Yick Pang Philip (chairman), Mr. He Zhisong, Mr. Wu Changshun and Mr. Yang Rongkai, the independent non-executive directors of the Company.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE COMPANY AND OF THE STOCK EXCHANGE

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.jiangnangroup.com>). The interim report for the six months ended 30 June 2012 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

ACKNOWLEDGEMENT

The Chairman would like to take this opportunity to express his sincere gratitude to the shareholders, investors, business partners, customers and suppliers of the Group for their continued support and to thank the Group’s management team and all staff for their dedication and contribution in the past.

By order of the Board

Rui Fubin

*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 27 August 2012

As at the date of this announcement, the Executive Directors are Mr. Rui Fubin, Mr. Rui Yiping, Ms. Xia Yafang and Mr. Jiang Yongwei and the Independent Non-executive Directors are Mr. He Zhisong, Mr. Wu Changshun, Mr. Yang Rongkai and Mr. Poon Yick Pang Philip.