# 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 2013

**FINANCIAL HIGHLIGHTS**

- Revenue decreased by approximately 10.6% to RMB2,150.9 million (2012: RMB2,406.2 million)

- Gross profit decreased by approximately 8.8% to RMB343.4 million (2012: RMB376.5 million)

- Profit for the period attributable to owners of the Company decreased by approximately 6.0% to RMB149.4 million (2012: RMB158.9 million)

- Basic earnings per share decreased by approximately 16.9% to RMB4.9 cents (2012: RMB5.9 cents)

- The Board declared an interim dividend of HK1.4 cents per share (2012: HK1.9 cents (restated))

The board ("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 2013 together with the unaudited comparative figures for the corresponding period of the immediately preceding year for the six-month period ended 30 June 2012.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six-month period ended 30 June 2013*

| | | **Six-month period ended** | |
|---|---|---|---|
| | *Notes* | **30.6.2013** *RMB'000* **(unaudited)** | 30.6.2012 *RMB'000* (unaudited) |
| Turnover | *3* | **2,150,883** | 2,406,240 |
| Cost of goods sold | | **(1,807,454)** | (2,029,731) |
| Gross profit | | **343,429** | 376,509 |
| Other income | *4* | **15,593** | 6,780 |
| Selling and distribution costs | | **(42,997)** | (46,898) |
| Administrative expenses | | **(43,967)** | (39,204) |
| Other expenses | | **(7,180)** | (21,944) |
| Other gains and losses | | **92** | (24) |
| Finance costs | | **(83,297)** | (81,946) |
| Profit before taxation | | **181,673** | 193,273 |
| Taxation | *5* | **(32,270)** | (34,388) |
| Profit for the period attributable to owners of the Company | *6* | **149,403** | 158,885 |
| Other comprehensive income (expense) | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising from translation of foreign operation | | **(6,231)** | 2,773 |
| Total comprehensive income for the period attributable to owners of the Company | | **143,172** | 161,658 |
| | | | (restated) |
| Earnings per share — Basic | *8* | **4.9 cents** | 5.9 cents |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2013*

| | Notes | 30.6.2013<br>RMB'000<br>(unaudited) | 31.12.2012<br>RMB'000<br>(audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **458,720** | 472,561 |
| Land use rights | | **78,217** | 79,246 |
| Deposit paid for acquisition of property, plant and equipment | | **1,388** | 2,582 |
| Long term deferred assets | | **5,208** | 5,208 |
| Interests in associates | | **12,247** | – |
| | | **555,780** | 559,597 |
| **Current assets** | | | |
| Inventories | | **1,377,264** | 1,003,296 |
| Trade and other receivables | 10 | **2,488,175** | 1,830,916 |
| Pledged bank deposits | | **699,400** | 755,097 |
| Bank balances and cash | | **256,028** | 1,137,741 |
| | | **4,820,867** | 4,727,050 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **(1,231,129)** | (1,404,824) |
| Tax payables | | **(28,062)** | (32,501) |
| Amount due to directors | | **(2,291)** | (1,446) |
| Short-term bank borrowings | 12 | **(2,112,450)** | (1,934,500) |
| | | **(3,373,932)** | (3,373,271) |
| **Net current assets** | | **1,446,935** | 1,353,779 |
| **Total assets less current liabilities** | | **2,002,715** | 1,913,376 |
| **Non-current liabilities** | | | |
| Government grants | | **(4,667)** | (4,887) |
| Deferred tax liabilities | | **(31,723)** | (27,692) |
| | | **(36,390)** | (32,579) |
| **Net Assets** | | **1,966,325** | 1,880,797 |
| **Capital and reserves** | 13 | | |
| Share Capital | | **(24,964)** | (24,964) |
| Reserves | | **(1,941,361)** | (1,855,833) |
| **Total equity** | | **(1,966,325)** | (1,880,797) |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six-month period ended 30 June 2013*

| | Share capital | Share premium | Special reserve | Non-distributable reserve | Statutory reserve | Translation reserve | Accumulated profit | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | *(Note a)* | *(Note b)* | *(Note c)* | *(Note d)* | | | |
| As at 31 December 2011 (audited) | 85,665 | 63,112 | – | 77,351 | 98,298 | (8,163) | 865,748 | 1,182,011 |
| Profit for the period | – | – | – | – | – | – | 158,885 | 158,885 |
| Other comprehensive income (expense) | – | – | – | – | – | 2,773 | – | 2,773 |
| 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) | 12,501 | 357,544 | 148,696 | 77,351 | 98,298 | (5,390) | 1,024,633 | 1,713,633 |
| As at 31 December 2012 (audited) | 24,964 | 345,081 | 148,696 | 77,351 | 138,031 | (8,233) | 1,154,907 | 1,880,797 |
| Profit for the period | – | – | – | – | – | – | 149,403 | 149,403 |
| Other comprehensive income (expense) | – | – | – | – | – | (6,231) | – | (6,231) |
| Total comprehensive income for the period | – | – | – | – | – | (6,231) | 149,403 | 143,172 |
| Final dividends recognised as distribution | – | – | – | – | – | – | (57,644) | (57,644) |
| Transfers | – | – | – | – | 16,135 | – | (16,135) | – |
| **As at 30 June 2013 (unaudited)** | 24,964 | 345,081 | 148,696 | 77,351 | 154,166 | (14,464) | 1,230,531 | 1,966,325 |

(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.

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 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.

(c) 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.

(d) 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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the six-month period ended 30 June 2013*

| | Six-month period ended | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Net cash used in operating activities | **(966,555)** | (197,956) |
| Net cash used in investing activities | **53,170** | (524,661) |
| Net cash generated from financing activities | **37,850** | 509,451 |
| Net decrease in cash and cash equivalents | **(875,535)** | (213,166) |
| Cash and cash equivalents at beginning of the period | **1,137,741** | 677,897 |
| Effect of foreign exchange rate changes | **(6,178)** | 2,773 |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | **256,028** | 467,504 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIC OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

## 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 2013 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 10 | Consolidated financial statements; |
| Amendments to HKFRS 10 | Consolidated financial statements: Transition guidance; |
| HKAS 19 (as revised in 2011) | Employee benefits; |
| HKAS 27 (as revised in 2011) | Seperate financial statements; |
| HKAS 28 (as revised in 2011) | Investment in associates and joint ventures; |
| Amendments to HKFRS 7 | Disclosures — offsetting financial assets and financial liabilities; |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income; and |
| Amendments to HKFRS | Annual improvements to HKFRS 2009–2011 cycle |

The application of the above new or revised 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 | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Revenue | | |
| — power cables | **1,543,661** | 1,680,834 |
| — wires and cables for electrical equipment | **531,919** | 567,411 |
| — bare wires | **75,303** | 157,995 |
| | **2,150,883** | 2,406,240 |
| Cost of goods sold | | |
| — power cables | **1,269,978** | 1,389,725 |
| — wires and cables for electrical equipment | **469,105** | 499,570 |
| — bare wires | **68,371** | 140,436 |
| | **1,807,454** | 2,029,731 |
| Segment result | | |
| — power cables | **273,683** | 291,109 |
| — wires and cables for electrical equipment | **62,814** | 67,841 |
| — bare wires | **6,932** | 17,559 |
| | **343,429** | 376,509 |

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

| | Six-month period ended | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Segment result | **343,429** | 376,509 |
| Unallocated corporate incomes | **15,685** | 6,780 |
| Unallocated corporate expenses | **(94,145)** | (108,070) |
| Finance costs | **(83,297)** | (81,946) |
| Profit before taxation | **181,672** | 193,273 |

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, 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 | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Turnover | | |
| — PRC (country of domicile) | **2,019,026** | 2,160,605 |
| — South Africa | **38,258** | 171,526 |
| — Singapore | **82,915** | 53,251 |
| — United States | **2,374** | 15,093 |
| — South America | **8,310** | 4,938 |
| — Australia | **–** | 827 |
| | **2,150,883** | 2,406,240 |

The Group mainly operates in three principal geographical areas — the PRC (excluding Hong Kong), Singapore and South Africa. As at 30 June 2013, approximately 92.1% (30 June 2012: 89.8%) 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 | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Interest income | **12,680** | 4,879 |
| Government subsidies *(Note)* | **914** | 1,443 |
| Others | **1,999** | 458 |
| | **15,593** | 6,780 |

*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. TAXATION

| | Six-month period ended | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| The charge comprises: | | |
| PRC income tax | **28,204** | 30,263 |
| Other jurisdictions income tax | **32** | – |
| Deferred taxation | **4,034** | 4,125 |
| Taxation charge for the period | **32,270** | 34,388 |

The PRC income tax is provided at the applicable rates in accordance with the relevant laws and regulations in the PRC of the estimated profit for the period. 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.

## 6. PROFIT FOR THE PERIOD

| | Six-month period ended | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | **18,911** | 17,902 |
| (Profit)/Loss on disposal of property, plant and equipment | **(92)** | 24 |
| Research and development costs (included in other expenses) | **7,180** | 5,721 |
| Expenses in relation to initial public offering of the Company's shares (included in other expenses) | **–** | 16,223 |
| Minimum lease payment under operating lease in respect of property | **1,378** | 492 |
| Operating lease rentals in respect of land use rights | **1,027** | 614 |

## 7. DIVIDENDS

During the current interim period, a final dividend of HK cents 2.2 per share in respect of the year ended 31 December 2012 (2012: Nil in respect of the year ended 31 December 2011) was declared and paid to the owners of the Company. The aggregate amount of final dividend declared and paid in the current interim period amounted to HK$67,698,400 (2012: Nil).

Subsequent to the end of the current interim period, the Board declared an interim dividend of HK1.4 cents per share for the six months ended 30 June 2013 (2012: HK1.9 cents (restated)) to the shareholders whose names appear on the register of members of the Company on 16 September 2013. The interim dividend will be paid on or about 18 October 2013.

## 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:

| | Six-month period ended | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share | **149,403** | 158,885 |
| | | (restated) |
| Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share | **3,077,200,000** | 2,667,903,296 |

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 2013, the Group incurred the following capital expenditures on property, plant and equipment:

| | Six-month period ended | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Buildings | **156** | – |
| Plant and machinery | **5,597** | 4,704 |
| Furniture, fixtures and equipment | **907** | 793 |
| Motor Vehicles | **655** | 2,746 |
| Construction in progress | **5,730** | 69,333 |
| Total | **13,045** | 77,576 |

During the six-month period ended 30 June 2013, the Group disposed of property, plant and equipment with a carrying amount of RMB8,490,000 (2012: RMB24,000) at nil consideration.

As at 30 June 2013, the Group pledged certain of its buildings and machinery with carrying value of RMB53,451,000 and RMB33,908,000 respectively (31 December 2012: RMB58,711,000 and RMB38,061,000 respectively) to certain banks to secure credit facilities granted to the Group.

During the period ended 30 June 2013, interest expense of RMB517,000 (2012: RMB946,626) have been capitalised.

## 10. TRADE AND OTHER RECEIVABLES

| | **30.6.2013** | 31.12.2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade receivables, net | **2,252,596** | 1,732,705 |
| Bills receivables | **68,085** | 7,305 |
| | **2,320,681** | 1,740,010 |
| Current portion of land use rights | **1,982** | 1,982 |
| Deposits paid to suppliers | **102,984** | 7,432 |
| Staff advances | **5,824** | 6,988 |
| Prepayments | **3,291** | 6,986 |
| Tender deposits | **35,355** | 51,418 |
| Other receivables | **18,058** | 16,100 |
| | **2,488,175** | 1,830,916 |

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:

| | **30.6.2013** | 31.12.2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Age | | |
| 0 to 90 days | **1,136,017** | 1,261,629 |
| 91 to 180 days | **475,056** | 474,775 |
| 181 to 365 days | **709,608** | 3,606 |
| | **2,320,681** | 1,740,010 |

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB1,320,067,000 as at 30 June 2013 (31 December 2012: RMB745,282,000), 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 2013.

## 11. TRADE AND OTHER PAYABLES

| | 30.6.2013 | 31.12.2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) |
| Trade payables | **184,790** | 348,703 |
| Bills payables | **830,000** | 814,000 |
| | **1,014,790** | 1,162,703 |
| Payroll and welfare accruals | **23,851** | 35,400 |
| Receipt in advance from customers | **123,287** | 111,784 |
| Construction work payables | **18,267** | 25,249 |
| Other tax payables | **28,062** | 20,883 |
| Other deposits | **5,858** | 4,210 |
| Other payables and accruals | **45,075** | 44,595 |
| | **1,259,190** | 1,404,824 |

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:

| | 30.6.2013 | 31.12.2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) |
| Age | | |
| 0 to 90 days | **968,579** | 927,803 |
| 91 to 180 days | **28,233** | 231,315 |
| 181 to 365 days | **15,258** | 1,377 |
| Over 1 year | **2,720** | 2,208 |
| | **1,014,790** | 1,162,703 |

## 12. BANK BORROWINGS

| | 30.6.2013 | 31.12.2012 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| | (unaudited) | (audited) |
| Secured | **184,350** | 110,500 |
| Secured and guaranteed by independent third parties | **209,500** | 195,400 |
| Unsecured and guaranteed by independent third parties | **1,718,600** | 1,628,600 |
| | **2,112,450** | 1,934,500 |

The bank borrowings are payable within one year. Approximately RMB54,369,000 (31 December 2012: Nil) is denominated in Hong Kong dollar and the rest of the bank borrowings are denominated in Renminbi as at 30 June 2013 and 31 December 2012.

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:

| | **30.6.2013** | 31.12.2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| For bank borrowings: | | |
| — property, plant and equipment | **87,359** | 96,772 |
| — land use rights | **42,766** | 42,766 |
| — inventories | **400,275** | 434,134 |
| For bank borrowings, bills payables and letter of credit: | | |
| — Pledged bank deposits | **699,400** | 755,097 |
| | **1,229,800** | 1,328,769 |

## 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 dividend 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 2013 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 2012 | 10,000,000 | 100,000 | |
| Increase pursuant to group reorganisation | 9,990,000,000 | 99,900,000 | |
| At 30 June 2013 | 10,000,000,000 | 100,000,000 | |
| Issued and fully paid: | | | |
| Issue of share on 4 January 2011 (date of incorporation) and 31 December 2012 | 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 | 338,600,000 | 3,386,000 | 2,751 |
| Issue of bonus shares | 1,538,600,000 | 15,386,000 | 12,463 |
| At 30 June 2013 | 3,077,200,000 | 30,772,000 | 24,964 |

## 14. CAPITAL COMMITMENTS

| | **30.6.2013** ***RMB'000*** **(unaudited)** | 31.12.2012 *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 | **4,425** | 14,062 |

## 15. CONTINGENT LIABILITIES

As at 30 June 2013, 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 | |
|---|---|---|
| | **30.6.2013** | 30.6.2012 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Basic salaries and allowances | **1,540** | 1,078 |
| Bonus | **–** | – |
| Retirement benefits scheme contributions | **12** | 12 |
| | **1,552** | 1,090 |

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 ordinary resolution passed at the extraordinary general meeting held on 10 July 2013, it was resolved that the acquisition of the entire interests in 江蘇鋥陽投資有限公司 (in English for identification purpose only, Jiangsu Zengyang Investment Company Limited) ("Target Company") by Wuxi Jiangnan Cable Co. Ltd., an indirect wholly-owned subsidiary of the Company, at the minimum consideration of RMB422,075,000 subject to the consideration adjustment mechanism as set out in the circular of the Company dated 24 June 2013 (with the maximum consideration capped at RMB500,000,000) be approved.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

For the six-month period ended 30 June 2013, the Group's revenue recorded RMB2,150.9 million, representing a decrease of approximately 10.6% as compared with the same period in 2012 and a net profit for the period under review amounted to RMB149.4 million, representing a decrease of approximately 6% over the same period in 2012. The Group's gross profit margin for the six-month period ended 30 June 2013 increased by approximately 2.0% as compared with the same period in 2012. Basic earnings per share for the period under review were RMB4.9 cents (2012: RMB5.9 cents) (restated), representing a decrease of approximately 16.9%.

### Market and Business Review

During the period under review, London Metal Exchange Limited ("LME") prices of copper fluctuated in the range of USD6,637 to USD8,242 per tonne with an average of approximately USD7,539 per tonne while LME prices for copper for the six-month period ended 30 June 2012 were trading on average USD8,100 per tonne. Average LME prices for aluminium for the six-month period ended 30 June 2013 were trading at approximately USD1,918 per tonne while average LME prices for aluminium during the six-month period ended 30 June 2012 were trading at approximately USD2,075 per tonne. Both average prices of copper and aluminium for the period under review were lower than the same period in 2012.

Due to the decrease in copper and aluminium prices as compared with the same period last year and recent market difficulties such as the reduction of investment from private sector in China, the Group's revenue in all its product categories dropped.

The Group's power cables continued to be the Group's key revenue contributor (accounted for approximately 72.0% of total revenue) and delivered satisfactory performance.

### Revenue by Geographical Markets

The PRC remains the Group's key market. Sales to the PRC market decreased by approximately 6.6% to RMB2,019.0 million and accounted for approximately 93.9% of total revenue, the decrease was primarily due to the decrease in the selling price as a result of decrease in metal raw material price.

Overseas markets also recorded a decline in revenue of approximately 46.3% as a result of a drop in revenue from one of the Group's major customer, Eskom Holdings Limited, as a result of the expiry of the 5-year agreement in May 2012. The Company expects to enter into a new 5-year agreement with Eskom Holdings Limited in September 2013.

### Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 8.3% from RMB46.9 million to RMB43.0 million. The decrease was mainly due to decrease in transportation expense.

**Administrative Expenses**

Administrative expenses increased by approximately 12.1% from RMB39.2 million to RMB44.0 million. The increase was mainly due to the increase in staff salaries and loss in relation to foreign exchange incurred by the wholly-owned subsidiary in South Africa during the period under review.

**Other Expenses**

Other expenses decreased by approximately 67.3% from RMB21.9 million to RMB7.2 million, primarily due to no one-off expenses were incurred during the period under review.

**Finance Costs**

Finance costs slightly increased by approximately 1.6% from RMB81.9 million to RMB83.3 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**

Lower gross profit coupled with increase in administrative expenses were offset by the decrease in selling expenses and other expenses, resulting in profit for the period under review decreased by approximately 6.0% from RMB158.9 million to RMB149.4 million.

**Financial Position and Liquidity**

As at 30 June 2013, total assets of the Group amounted to RMB5,376.6 million (31 December 2012: RMB5,286.6 million).

Non-current assets decreased by approximately 0.7% from RMB559.6 million as at 31 December 2012 to RMB555.8 million as at 30 June 2013. The decrease was mainly due to depreciation of property, plant and machinery.

Current assets increased by approximately 2.0% from RMB4,727.0 million as at 31 December 2012 to RMB4,820.9 million as at 30 June 2013 mainly due to higher inventories and trade receivables as a result of increasing business activity towards the second quarter of 2013.

Total interest-bearing bank borrowings increased by approximately 9.2% from RMB1,934.5 million as at 31 December 2012 to RMB2,112.4 million as at 30 June 2013. Of the Group's total bank loans and other borrowings as at 30 June 2013, 97.4% 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 RMB1,966.3 million as at 30 June 2013, approximately 4.5% higher than the RMB1,880.8 million as at 31 December 2012.

As at 30 June 2013, 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 RMB1,157.0 million over total equity of RMB1,966.3 million as at 30 June 2013, increased from approximately 2.2% (as at 31 December 2012) to approximately 58.8%.

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 2013, neither the Group nor the Company had any significant contingent liabilities.

**Interim Dividend**

The Board declared an interim dividend of HK1.4 cents per share for the six months ended 30 June 2013 (2012: 1.9 cents (restated)) to the shareholders whose names appear on the register of members of the Company on 16 September 2013. The interim dividend will be paid on or about 18 October 2013.

**Closure of Register of Members**

For the purpose of determining the entitlement to the interim dividend for the six months ended 30 June 2013, the register of members of the Company will be closed from 12 September 2013 to 16 September 2013, 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 2013, 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 11 September 2013.

**Employees and Remuneration**

As at 30 June 2013, the Group had a total of 2,027 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 2013, the Group's property, plant and equipment decreased from RMB472.6 million as at 31 December 2012 to RMB458.7 million as at 30 June 2013, representing a decrease of approximately 2.9%. The decrease was mainly attributed to depreciation of property, plant and equipment.

**Prospects**

In the first half of 2013, power cable industry in the PRC still faced severe challenges. The pace of growth for the domestic production in the PRC was slow, and the economic structure in the country was under a stage of adjustment. Meanwhile, there were uncertainties for the global economy, effect of the European debt crisis and the slow recovery of the US economy still existed, market sentiment was also affected. Power cable industry in the PRC was undergoing a revolution period with industry consolidation and only the fittest would survive. It was because its operation requires adequate funding and the average production capacity of suppliers in the PRC was not comparable to those in the developed countries. The varied qualities of the products also affected the growth pace of the industry.

As one of the largest power wire and cable suppliers in the PRC and one of the ten power cable producers with ultra high voltage cable manufacturing technology technique and capacity in the country, the Group is confident in its future development in the power cable industry. The Group enjoys absolute confident in the consolidation process of the power cable industry, during which the Group will be able to identify acquisition opportunities with profit growth potential with the purpose to expand its market share progressively, enhance the competitive edge of its upstream and downstream production chain, increase the variety of its product offering and expand its customer base. Moreover, the Group will expand its overseas business and its coverage through merger and acquisition and/or downstream expansion of its business. The awarding opinion in relation to enhancing the development of the capital operation of enterprises (關於促進企業資本經營發展的獎勵意見) issued by the municipal committee and municipal government of Yixing, the base of the Group, encourages listed enterprises and corporations within the municipal to implement merger and reorganization through ways of merger, equity and asset acquisition etc. Many large scale power cable companies listed in the PRC have been actively acquiring quality corporations, in order to complement their product offering, enhancement of their brand, development of the market and the strengthening of the technology.

Acquisition ("Acquisition") of the Target Company and its subsidiaries in particular, 江蘇中煤電纜有限公司 (in English, for identification purpose only, Jiangsu Zhongmei Cable Group Co., Ltd.) ("Zhongmei Cable"), which is engaged in the manufacture and sale of special and general types of wires and cables at a minimum consideration of RMB422,075,000 subject to the consideration adjustment mechanism as set out in the circular of the Company dated 24 June 2013 (with the maximum consideration capped at to RMB500,000,000) was duly approved by the shareholders of the Company on 10 July 2013. The Acquisition was completed on 18 July 2013. Zhongmei Cable mainly manufactures special wires and cables with special features, which are usually more sophisticated and involve the use of its own patent to cater for specific needs, safety and environmental requirements, of the specified industries ("Zhongmei Special Wires and Cables"). Zhongmei Special Wires and Cables are mainly used in wind power system, shipbuilding and mining. Zhongmei Special Wires and Cables are distinct from the special wires and cables of the Group in terms of its features and functions. Therefore, the Group is of the view that the Acquisition offers the Company a good opportunity to increase its products offering and the market share of the Group in specific industries by manufacture and sale of Zhongmei Special Wires and Cables and enhance its income stream. In addition, the Acquisition can also improve the customer base of the Group and enhance customer loyalty to the Group as Zhongmei Cable has special wires and cables which its customers adapted to.

To meet the growing demand for aluminium alloy cables of the domestic and overseas customers, the Group has established a subsidiary, Wuxi New Suneng Composite Material Co., Ltd. in the first half of 2012 which has commenced to invest in and construct production lines for aluminium alloy rods and double capacity conductors, with estimated production capacity of 70,000 tonnes and 30,000 tonnes per annum respectively. These production lines have commenced their productions in January 2013.

Benefit from the overall enhancement of the China power grid network, in the tender for the 2013 third batch transmission and distribution project of State Grid Corporation of China (SGCC) the results of which was announced on 17 June 2013, the Group won the tender for the project of the Aluminium Conductor Steel Reinforced Cables and Mid-voltage Power Cables, in a total contract sum of approximately RMB63 million. Similar projects would provide continuous revenue contribution to the Group in the future. During the "Twelfth Five-year" planning, the country makes substantial investment in ultra high voltage grid network and its target is to build a world's top class strong smart grid network, which outline the long term and stable development roadmap for the advancement of the power cable industry in the PRC. SGCC will invest RMB500 billion to establish a "three vertical, three horizontal" ultra high voltage backbone network system, connecting large power base with major load centre and carry out the 13 circuits long distance tributary transmission project, forming a large scale "Transmission from West to East" and "Transmission from North to South" power distribution pattern.

In 2013, the PRC government put strong emphasis on the issue of environmental pollution, promoting the importance of the adjustment of power structure, increase the usage rate of renewable energy and optimizing the distribution of energy allocation. For the opportunity in power cable development, it should be noticed that at an executive meeting of the State Council chaired by Mr. Li Keqiang, the Premier of the State Council, several supporting measures for photovoltaic solar power were promulgated, of which grid corporations in China shall ensure the simultaneous construction and production of complementing grid network and photovoltaic solar project, priority for the arrangement of photovoltaic solar planning and the full acquisition of the power generated. All these measures would help to expand the construction of the grid network, producing demand for the power cable industry with the necessary momentum. In addition, during the "Twelfth Five-year" period, SGCC will invest RMB 130 billion for the development of grid network in Xinjiang, producing an "external transmission of Xinjiang electricity" capacity of 30 million kilowatts, realizing large scale optimal allocation of resources and energy. The project transform the rich coal and wind power resources in Xinjiang into electricity which is then transmitted to inland.

Since 2013, while strengthening the transmission infrastructure of ultra high voltage cable, the SGCC also participated in the co-ordination and planning procedure, accelerating the reconstruction of the distribution network in different regions. Many cities in the PRC such as Hangzhou, Shandong and Anhui devoted to improve the capacity of low-voltage grid network in rural area, further increase the pace of rural network reform, procure the standardized construction of rural network project, identify scientific distribution points for power supply, timely resolve the problems of use of electricity for daily and production activities and low voltage in rural area, and fulfill the electricity requirements for the construction in new rural area. According to the previous publication, SGCC will invest RMB410 billion on the reconstruction of grid network in rural area, together with the investment of China Southern Power Grid (CSG) in the amount of RMB111.6 billion, reaching a total amount of RMB521.6

billion. Base on such scale, investment amount for the new phrase of rural network reconstruction and upgrade project for the first three years will exceed RMB300 billion.

Apart from ensuring the production and sales results to maintain stable domestic growth, the Group will increase its marketing activities in overseas markets and identify more high-end customers around the world. Currently, the Group's products are exported to over 50 countries and regions overseas. The Group remains proactive in exploring the potential development in developing countries where demands for cables remain high. For instance, in 2012, the Group successfully established a plant in South Africa, which will commence production in second half of 2013. As the economic growth in South Africa slows down, its GDP in 2012 experienced the slowest growth since 2009 of 1.2%. Hence, the Group's sales in South Africa was affected. Nevertheless, the revenue derived from the orders of Power Works Pte Ltd in Singapore rose by 55.7% during the period as compared with the six-month ended 30 June 2012. Looking ahead, the Group will take the initiative to identify suitable acquisition targets outside the PRC to expand its overseas markets.

In the second half of 2013, the Group will continue to develop its strength in the area of high-end products. In view of the potential growth of ultra high voltage cables, the Group has a production facility with a annual production capacity of approximately 1,000 km high and ultra high voltage cables with rated voltage of 220–500 kV at its Yixing production base. In 2014, an additional production lines for ultra high voltage cables of 900 km will be built and is expected to commence production by the end of the year. The increase in production capacity will help to reduce the operating costs of the Group and would be favourable to the Group's further expansion in the market. It is expected that the Group will become one of the leaders in domestic high voltage cables in terms of production and manufacturing capacity.

## PURCHASE, SALE OR REDEMPTION

For the six months ended 30 June 2013 ("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 Listing Rules. 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 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 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").

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them to deal in the securities of the Company at any time when he possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees during the Relevant Period was noted by the Company.

## 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 2013.

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.

## 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 2013 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 Board, the management and all staff for their dedication and contribution.


By order of the Board
**Rui Fubin**
*Chairman, Chief Executive Officer*
*and Executive Director*

Hong Kong, 23 August 2013

*As at the date of this announcement, the Board comprises six executive Directors, namely Mr. Rui Fubin, Mr. Chu Hui, Mr. Rui Yiping, Ms. Xia Yafang, Mr. Jiang Yongwei and Mr. Hao Minghui; and four independent non-executive Directors, namely Mr. He Zhisong, Mr. Wu Changshun, Mr. Yang Rongkai and Mr. Poon Yick Pang Philip.*