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JIANGNAN GROUP LIMITED
江南集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1366)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 20.9% to RMB6,477.3 million (2012: RMB5,356.4 million)
- Gross profit increased by approximately 18.8% to RMB1,000.4 million (2012: RMB842.4 million)
- Profit for the year attributable to owners of the Company increased by approximately 33.9% to RMB503.5 million (2012: RMB376.1 million)
- Basic earnings per share increased by approximately 25.0% to RMB16.36 cents (2012: RMB13.09 cents)
- The Board recommended a final dividend of HK3.3 cents per share (2012: HK2.2 cents)

The board (the "Board") of directors (the "Directors") of Jiangnan Group Limited ("Jiangnan" or the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the audited comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** *RMB'000*	2012 *RMB'000*
Turnover	*3*	**6,477,302**	5,356,363
Cost of goods sold		**(5,476,949)**	(4,513,978)
Gross profit		**1,000,353**	842,385
Other income	*4*	**27,039**	31,785
Selling and distribution costs		**(109,967)**	(94,126)
Administrative expenses		**(132,553)**	(85,965)
Other expenses		**(17,507)**	(32,160)
Other gains and losses		**(5,613)**	(23,939)
Gain on bargain purchase	*15*	**42,326**	–
Share of loss of associates		**(3,492)**	–
Finance costs		**(195,279)**	(182,188)
Profit before taxation	*5*	**605,307**	455,792
Taxation	*6*	**(101,784)**	(79,672)
Profit for the year attributable to owners of the Company		**503,523**	376,120
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(10,887)**	(70)
Total comprehensive income for the year attributable to owners of the Company		**492,636**	376,050
Earnings per share — Basic	*8*	**16.36 cents**	13.09 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	**2013** **RMB'000**	2012 RMB'000
Non-current assets			
Property, plant and equipment	9	**632,910**	472,561
Land use rights		**207,706**	79,246
Interest in associates		**15,188**	–
Loan to an associate		**30,369**	–
Available-for-sale investment		**2,500**	–
Deferred tax asset		**6,559**	5,208
Deposit paid for acquisition of property, plant and equipment		**1,260**	2,582
		896,492	559,597
Current assets			
Inventories	10	**1,842,221**	1,003,296
Trade and other receivables	11	**2,328,373**	1,830,916
Pledged bank deposits		**807,642**	755,097
Bank balances and cash		**1,682,558**	1,137,741
		6,660,794	4,727,050
Current liabilities			
Trade and other payables	12	**2,223,165**	1,404,824
Amounts due to directors		**3,701**	1,446
Bank borrowings	13	**2,922,136**	1,934,500
Taxation payable		**54,376**	32,501
		5,203,378	3,373,271
Net current assets		**1,457,416**	1,353,779
Total assets less current liabilities		**2,353,908**	1,913,376
Non-current liabilities			
Government grants		**4,447**	4,887
Deferred tax liabilities		**63,805**	27,692
		68,252	32,579
		2,285,656	1,880,797
Capital and reserves			
Share capital	14	**24,964**	24,964
Reserves		**2,260,692**	1,855,833
		2,285,656	1,880,797

NOTES:

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate and ultimate holding company of the Company is Power Heritage Group Limited ("Power Heritage"), a company which is incorporated in the British Virgin Islands ("BVI").

The principal activity of the Company is to act as an investment holding company. Its subsidiaries are engaged in the manufacture of and trading in wires and cables.

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the "Group") underwent a group reorganisation (the "Group Reorganisation") to rationalise the group structure. Details of the Group Reorganisation are more fully explained in the the to the

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT–12 "Consolidation — Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. The application of HKFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

The directors of the Company have made an assessment of the application of HKFRS 10 in respect of the Group's control in its investees that were acquired or set up during the year under the new definition in the new and revised HKFRSs and concluded that the application of the new standard has no impact on the classification of investees currently reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. The application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 14	Regulatory deferral accounts[5]
HK(IFRIC)-INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 July 2014.

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

5 Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial instruments: Recognition and measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for available-for-sale investment, the directors of the Company anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and financial liabilities as at 31 December 2013. Regarding the Group's available-for-sale investment, it is not practicable to provide a reasonable estimate of that effective until a detail review has been conducted.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new or revised HKFRSs will have no material impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The information of segment results are as follows:

	2013	2012
	RMB'000	*RMB'000*
Revenue		
— power cables	**4,239,666**	3,701,286
— wires and cables for electrical equipment	**1,513,652**	1,326,750
— bare wires	**348,122**	328,327
— rubber cables	**375,862**	–
	6,477,302	5,356,363
Cost of goods sold		
— power cables	**3,529,243**	3,068,903
— wires and cables for electrical equipment	**1,360,743**	1,146,642
— bare wires	**304,363**	298,433
— rubber cables	**282,600**	–
	5,476,949	4,513,978
Segment result		
— power cables	**710,423**	632,383
— wires and cables for electrical equipment	**152,909**	180,108
— bare wires	**43,759**	29,894
— rubber cables	**93,262**	–
	1,000,353	842,385

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

	2013	2012
	RMB'000	*RMB'000*
Reportable segment results	**1,000,353**	842,385
Unallocated corporate incomes	**69,365**	31,785
Unallocated corporate expenses	**(269,132)**	(236,190)
Finance costs	**(195,279)**	(182,188)
Profit before taxation	**605,307**	455,792

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:

	2013	2012
	RMB'000	*RMB'000*
Turnover		
— PRC (country of domicile)	**6,088,424**	4,958,031
— Singapore	**196,059**	139,543
— Vietnam	**86,846**	–
— South Africa	**84,697**	225,017
— South America	**12,760**	13,423
— United States	**5,330**	18,272
— Macau	**1,878**	–
— Laos	**1,167**	–
— Australia	**141**	2,062
— Japan	**–**	15
	6,477,302	5,356,363

The Group mainly operates in two principal geographical areas — the PRC (excluding Hong Kong) and South Africa. As at 31 December 2013, approximately 96.0% (31 December 2012: 97.8%) 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 years.

4. OTHER INCOME

	2013	2012
	RMB'000	*RMB'000*
Interest income	**20,930**	29,096
Government subsidies *(Note)*	**1,886**	2,105
Others	**4,223**	584
	27,039	31,785

Note: Included in the amount is RMB440,000 (2012: RMB473,000) representing deferred income on government subsidies in relation to capital expenditure on property, plant and equipment recognised in this year over the useful lives of the related assets. The remaining amount represents the incentive subsidies provided by the PRC local authorities to the Group to encourage business development in the Yixing region and research and energy reduction activities conducted by the Group, all of them had no specific conditions attached.

5. PROFIT BEFORE TAXATION

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**3,387**	2,440
Total staff costs	**132,063**	115,466
Depreciation of property, plant and equipment	**47,528**	35,358
Allowance for bad and doubtful debts	**5,562**	22,658
Auditor's remuneration	**2,315**	1,480
Acquisition-related costs (included in other expenses)	**685**	–
Loss on disposal of property, plant and equipment	**51**	1,281
Research and development costs (included in other expenses)	**16,822**	13,387
Expenses in relation to the initial public offering of the Company's shares (included in other expenses)	**–**	18,773
Minimum lease payment under operating lease in respect of property	**951**	1,692
Operating lease rentals in respect of land use rights	**3,353**	1,229

6. TAXATION

	2013	2012
	RMB'000	*RMB'000*
The charge comprises:		
PRC income tax	**92,559**	77,433
South Africa corporate tax	**30**	–
Deferred taxation	**9,195**	2,239
Taxation charge for the year	**101,784**	79,672

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 documents issued by the Yixing Provincial Commission of Science and Technology and the approval published on its website, Wuxi Jiangnan Cable Co., Ltd. ("Jiangnan Cable") was endorsed as a High and New Technology Enterprise on 4 March 2009 (renewed on 21 May 2012) and was entitled to a reduced PRC income tax rate of 15% till next renewal in 2015. Jiangsu Zhongmei Cable Group Co., Ltd. ("Zhongmei Cable") was also entitled to a reduced PRC income tax rate of 15% till next renewal in 2014.

Taxation arising in South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax is calculated at 28% (2012: 28%) of the assessable profit during the year.

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

7. DIVIDEND

	2013	2012
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2013 Interim — HK1.4 cents (2012: 2012 Interim dividend HK1.9 cents (restated)) per share	**34,137**	47,228
2012 Final — HK2.2 cents (2012: 2011 Final dividend of nil) per share	**53,640**	–
	87,777	47,228

Subsequent to the end of the reporting period, a final dividend of HK3.3 cents in respect of the year ended 31 December 2013 (2012: HK2.2 cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	**503,523**	376,120
Number of Shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**3,077,200,000**	2,873,669,944

The weighted average number of ordinary shares in 2012 for the purpose of basic earnings per share has been adjusted for the bonus issue of 1,538,600,000 shares on 15 November 2012.

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

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2013, the Group incurred the following capital expenditures on property, plant and equipment:

	2013	2012
	RMB'000	*RMB'000*
Buildings	**317**	771
Plant and machinery	**11,513**	18,713
Motor vehicles	**1,872**	2,374
Furniture, fixtures and equipment	**1,929**	2,100
Construction in progress	**14,577**	148,727
Total	**30,208**	172,685

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

As at 31 December 2013, the Group pledged certain of its buildings and machinery with carrying value of RMB120,944,000 and RMB73,108,000, respectively (2012: RMB58,711,000 and RMB38,061,000, respectively) to certain banks to secure credit facilities granted to the Group.

During the year ended 31 December 2013, interest expenses of RMB5,403,000 (2012: RMB11,728,000) have been capitalised.

10. INVENTORIES

	2013	2012
	RMB'000	*RMB'000*
Raw materials	**88,962**	115,570
Work in progress	**965,589**	472,777
Finished goods	**787,670**	414,949
	1,842,221	1,003,296

At 31 December 2013, the Group pledged certain of its inventories with an aggregate carrying value of RMB398,340,000 (2012: RMB434,134,000) to certain banks to secure credit facilities granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables, net	**2,005,593**	1,732,705
Bills receivables	**255,017**	7,305
	2,260,610	1,740,010
Current portion of land use rights	**5,281**	1,982
Deposits paid to suppliers	**4,490**	7,432
Prepayments	**6,946**	6,986
Staff advances	**5,549**	6,988
Tender deposits	**38,411**	51,418
Interest income receivables	**–**	7,552
VAT tax receivables	**983**	3,828
Other receivables	**6,103**	4,720
	2,328,373	1,830,916

The Group normally allows a credit period ranging from 30 to 180 days to its trade customers.

The following is an aged analysis of trade receivables, net of allowances for bad and doubtful debts, and bill receivables based on the invoice date at the end of the reporting period:

	2013	2012
	RMB'000	*RMB'000*
Age		
0 to 90 days	**1,651,488**	1,261,629
91 to 180 days	**460,177**	474,775
181 to 365 days	**84,824**	3,606
Over 365 days	**64,121**	–
	2,260,610	1,740,010

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB787,122,000 as at 31 December 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. At the end of each reporting period, the management will individually assess the recoverability of its trade debtors and consider whether any amounts are individually impaired and provided for impairment loss. Except for those trade debts that considered to be individually impaired, the remaining trade and bills receivables that are past due but not impaired, in the opinion of the management are recoverable as there has been continuing settlement from these customers. The Group does not hold any collateral over these balances.

At 31 December 2013, trade receivables of RMB15,995,000 (2012: Nil) have been discounted to the banks with recourse. Accordingly, the Group continues to include these discounted receivables and has recognised the cash received as bank borrowing with the same amount until maturity.

12. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**601,521**	348,703
Bills payables	**1,136,843**	814,000
	1,738,364	1,162,703
Payroll and welfare accruals	**55,159**	35,400
Receipt in advance from customers	**230,245**	111,784
Consideration payable	**77,925**	–
Construction work payables	**12,300**	25,249
Other tax payables	**33,502**	20,883
Other deposits	**770**	4,210
Other payables and accruals	**74,900**	44,595
	2,223,165	1,404,824

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

	2013	2012
	RMB'000	*RMB'000*
Age		
0 to 90 days	**1,549,514**	927,803
91 to 180 days	**178,916**	231,315
181 to 365 days	**6,131**	1,377
Over 1 year	**3,803**	2,208
	1,738,364	1,162,703

13. BANK BORROWINGS

	2013	2012
	RMB'000	*RMB'000*
Secured	**442,948**	110,500
Secured and guaranteed by a director of the Company	**32,000**	–
Secured and guaranteed by independent third parties	**60,000**	195,400
Unsecured	**91,000**	–
Unsecured and guaranteed by a director of the Company	**242,800**	–
Unsecured and guaranteed by independent third parties	**2,053,388**	1,628,600
	2,922,136	1,934,500

All bank borrowing are repayable within one year at 31 December 2013 and 31 December 2012.

14. SHARE CAPITAL

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

	Number of shares	Amount in HK$	Shown in financial statements as *RMB'000*
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2012	10,000,000	100,000	
Increase pursuant to Group Reorganisation *(note a)*	9,990,000,000	99,900,000	
As at 31 December 2012 and 31 December 2013	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2012	1	–	–
Issue of shares pursuant to Group Reorganisation *(note b)*	9,999,999	100,000	81
Capitalisation issue *(note c)*	1,190,000,000	11,900,000	9,669
Issue of shares of the Company under the initial public offering *(note d)*	338,600,000	3,386,000	2,751
Bonus shares issued *(note e)*	1,538,600,000	15,386,000	12,463
At 31 December 2012 and 31 December 2013	3,077,200,000	30,772,000	24,964

Notes:

(a) On 25 February 2012, by resolution of the then sole shareholder of the Company, 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.

(b) 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.

(c) On 25 February 2012, pursuant to the shareholders' written resolutions of the Company, 1,190,000,000 shares were issued and allotted to the then shareholders of the Company 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.

(d) On 20 April 2012, the Company issued 338,600,000 ordinary shares of HK$0.01 each at HK$1.42 per share by way of initial public offering.

(e) On 15 November 2012, by an ordinary resolution of the Shareholders of the Company passed on 31 October 2012, the issued share capital was increased by way of applying HK$15,386,000 (approximately RMB12,463,000) charging to the share premium account in the payment in full at par of 1,538,600,000 shares at HK$0.01 each on the basis of one share for every one existing shares held by the members of the Company whose names appear on the register of members of the Company on 7 November 2012. All bonus shares rank pari passu with the then existing shares.

15. ACQUISITION OF SUBSIDIARIES

On 19 April 2013, 無錫江南電纜有限公司(in English for identification purpose only, Wuxi Jiangnan Cable Co., Ltd.) ("Jiangnan Cable"), a wholly-owned subsidiary of the Company, as the purchaser, entered into a share transfer agreement (the "Agreement") with eight individual parties (collectively referred to as the "Vendors"), pursuant to which, Jiangnan Cable conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the entire equity interest in 江蘇鋥陽投資有限公司(in English for identification purpose only, Jiangsu Zengyang Investment Company Limited) ("Jiangsu Zengyang") and its subsidiaries (the "Zengyang Investment Group") at the consideration ranging from RMB422,075,000 to RMB500,000,000 (the "Acquisition"). Jiangsu Zengyang is an investment holding company and its principal subsidiary 江蘇中煤電纜有限公司(in English for identification purpose only, Jiangsu Zhongmei Cable Group Co., Ltd.) ("Zhongmei Cable") is engaged in the manufacture and sale of special types of wires and cables in the PRC. In the opinion of the directors of the Company, the Acquisition will enable the Group's continual expansion of its wires and cables operations in the PRC. The details of the Acquisition can be referred to the circular issued by the Company dated 24 June 2013 (the "Circular").

Included in the Vendors are (i) Mr. Chu Hui who is the son-in-law of Mr. Rui Fubin (the chairman of the Board, the chief executive officer and an executive director of the Company) and the brother-in-law of Mr. Rui Yiping (an executive director of the Company); (ii) Mr. Chu Kai Qiang who is the father of Mr. Chu Hui; (iii) Ms. Chu Xifeng who is the sister of Mr. Chu Hui; and (iv) Mr. Zeng Guoming is the uncle of Mr. Chu Hui. Each of the other Vendors is a third party independent and not connected with the Company and its connected person.

The final consideration is calculated based on a specified formula as set out in the Agreement (please refer to the Circular for details) which is based on the actual profit of the Zengyang Investment Group achieved for the year ended 31 December 2013. The Acquisition was approved by the shareholders of the Company and completed in July 2013. Upon completion and pursuant to the Agreement, an initial payment of RMB422,075,000, being the minimum amount of the consideration has been paid to the Vendors.

With reference to the unaudited management accounts of the Zengyang Investment Group for the year ended 31 December 2013, in the opinion of the directors of the Company, the target profit of the Zengyang Investment Group for the year ended 31 December 2013 had been achieved and the final consideration shall be RMB500,000,000. The Acquisition has been accounted for using purchase method and a gain on bargain purchase was approximately RMB42,326,000 was recognised in profit or loss.

Consideration transferred

	RMB'000
Cash	422,075
Consideration payable *(note 12)*	77,925
Total	500,000

Acquisition-related costs amounting to RMB685,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, and included in other expenses.

(a) Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	188,443
Land use rights	135,112
Interest in an associate	15,060
Available-for-sale investment	2,500
Trade and other receivables	764,182
Inventories	406,279
Pledged bank deposits	156,265
Bank balances and cash	34,875
Trade and other payables	(592,134)
Taxation payable	(6,889)
Bank borrowings	(535,800)
Deferred tax liability	(25,567)
	542,326

The fair value of trade and other receivables at the date of acquisition amounted to RMB764,182,000. The gross contractual amounts of those trade and other receivables acquired amounted to RMB794,145,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB29,963,000.

(b) Gain on bargain purchase

	RMB'000
Consideration transferred	500,000
Less: net assets acquired	(542,326)
Gain on bargain purchase	(42,326)

Gain from a bargain purchase of RMB42,326,000 was recognised upon completion of the acquisition of Jiangsu Zengyang. The gain from a bargain purchase on acquisition was mainly attributable to the fair value adjustments amounting to RMB102,268,000 arising from the land use rights, buildings and machineries which has not been considered and estimated during the period of negotiation of the Acquisition.

16. CAPITAL COMMITMENT

	2013	2012
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**13,927**	14,062

17. CONTINGENT LIABILITIES

As at 31 December 2013, neither the Group nor the Company had any significant contingent liabilities.

18. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2013, the Group has sold certain of its plant and machinery with carrying amount of RMB9,586,000 to an associate, Wuxi Tech (Proprietary) Ltd. ("Wuxi Tech"), a company incorporated in South Africa which the Group has 49% equity interest, at a consideration of RMB9,586,000. The consideration was settled through current account with Wuxi Tech and included in loan to an associate in the consolidated statement of financial portion.

Other than the transactions and balances with related parties above and those as disclosed in the consolidated statement of financial position as "Amounts due to directors", the remuneration of Directors and, bank borrowings guaranteed by a director during the year, the Group has no other significant transactions and balances with related parties.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the year ended 31 December 2013, the Group's revenue recorded RMB6,477.3 million, representing an increase of approximately 20.9% as compared with the same period in 2012 and profit for the year attributable to owners of the Company amounted to RMB503.5 million, representing an increase of approximately 33.9% as compared with the same period in 2012. The Group's gross profit margin for the year ended 31 December 2013 maintained at approximately 15.4% (2012: 15.7%). Basic earnings per share for the year was RMB16.36 cents (2012: RMB13.09 cents), representing an increase of approximately 25.0%.

Market Review and Business Review

Though the prices of copper and aluminum dropped as compared to that in 2012 which offset some of the Group's revenue growth, the revenue of the entire product lines of the Group recorded an increase. Power cables of the Group remained as the main source of revenue, contributed approximately 65.5% of the total revenue and continue to perform well. In addition, rubber cables, a new business segment, also contributed approximately 5.8% of the Group's revenue. The three key factors driving the growth of the Group's business are as follows:

First, during the year, in respect of rural reform, the central government put huge effort in establishing the "three-rural" mechanism to achieve a steady long-term growth in agriculture, and continued to put agricultural and rural areas as an important capital investment orientation of the country in 2013. The growth of average income of farmers remained higher than that of urban dwellers for the fourth consecutive year. More effort will be put into the constructions of infrastructure in agricultural and rural areas. Projects improving livelihood in the rural areas will be accelerated. These will create strong demand for the infrastructures in rural areas such as roads, reform of electricity grid network and reconstruction of housing. All these are directly related to the upgrade and transformations of power facilities, forming a long-term momentum for the demand of wire and cable industry. The Group has won tenders of the second batch of power cables and wires supporting rural power grid construction by the State Grid Corporation of China with a total sum of RMB260 million. The tenders cover a range of products, which include power cable, aluminum conductor steel-reinforced cable, aerial insulated conductor and bunched conductor. The tender projects cover 10 provinces or autonomous prefectures, which include Zhejiang, Sichuan, Henan, Ningxia, Anhui, Jiangsu, Shandong, Xinjiang, Hubei and Hebei. Together with the tenders won in the first batch of power cables and wires supporting rural power grid construction in 2013, the Group acquired contracts with an aggregate amount of RMB500,000,000 during the two public tenders.

In addition, the pace of urbanization in China is increasing which triggers a large-scale infrastructure investment, and in turn bringing up the demand for various kinds of power cable products. Estimation provided by Chinese National Bureau of Statistics shows that for every 1% growth of urbanization, an estimated investment on urban infrastructures of RMB1,500 billion (base on per capita spending of RMB120,000) would need to be deployed and used. Constructions of infrastructures brought about by the development of urbanization will stimulate the persistent growth of demands for different kinds of wires and cables in the domestic market. Products commonly used for urbanization include wires used in property constructions, cables used in the electrical devices, cables used in reconstructing and establishment of rural electricity grid networks and cables used in rail transits.

The third factor is construction of high-voltage electricity grid network. The demand of high-voltage power cables increases as large-scale construction and reconstruction of urban electricity grid network further expand. As the construction of new town in China accelerates, the reconstruction of the existing rural electricity grid network and the establishment of new grid network provide a brilliant development opportunity for the power cable enterprises in China. At present, the number of manufacturers involved in high-voltage power cable productions is limited and all products are subject to strict testing certification. In the area of high-end products, the strength of the Group lies in the reputation of its brand and the quality of its products, while price is no longer the first and sole consideration.

Driven by urbanization, the construction of high-voltage electricity grid network and the launch of infrastructure construction projects, the Group won numerous tenders for contracts relating to high-voltage and ultra-high voltage wires and cables in the second half of 2013, among which, the aggregate amount of the representative large contracts signed with different enterprises was more than RMB400 million. Customers include 廈門聯商物流有限公司, State Grid Shandong Electric Power Company, State Grid Tibet Electric Power Company Limited, State Grid Sichuan Province Electric Power Company, State Grid Jibei Electric Power Company Limited, 廣西兆泰送變電工程集團有限公司, Dalian Metro, Line 2 of Wuxi Metro, Shandong Province Construction Project Bidding Center — purchasing project of power cable engineering materials in West Railway Area(西客站片區) and other main projects, among which approximately RMB25.33 million were spent on high-voltage and ultra high-voltage cables, approximately RMB80.84 million on functional cables and the remaining RMB206 million on medium and low voltage cables and general cables. In October 2013, the Group entered into several contracts for the ultra-high voltage power cable with the subsidiaries of the State Grid Corporation of China in Nanjing, Xuzhou, Nanchang and Baofeng, and the total contract sum is approximately RMB91.0 million. In October 2013, the Group won another tender for 10kV power cable of Jiangsu User Contribution Second Consultative Inventory Project, with a contract sum of approximately RMB46.0 million.

As for the movement of copper price, during the year, London Metal Exchange Limited ("LME") prices of copper fluctuated in the range of USD6,637.5 to USD8,242.5 per tonne with an average of approximately USD7,322 per tonne while LME prices for the year ended 31 December 2012 were trading on average USD7,950 per tonne. Average LME prices for aluminum for the year ended 31 December 2013 were trading at approximately USD1,846 per tonne while average LME prices for aluminum during the year ended 31 December 2012 were trading at approximately USD2,021.60 per tonne. Both average prices of copper and aluminum for the year were lower than that in 2012.

At present, the Group's products have been exported to more than 50 countries and regions. In 2013, the Group successfully explored the markets in Vietnam and Ethiopia. In September 2013, the Group won the tenders of the supply of Aluminum Conductor Steel-Reinforced cable ("ASCR") to National Power Transmission Corporation under the Vietnam Electricity, with a contract sum of USD14.1 million (approximately RMB86.5 million), the supply of All Aluminum Alloy Conductor ("AAAC") to Ethiopian Electric Power Authority with a contract sum of USD3.6 million (approximately RMB22.3 million) and the supply of power cable to Power Works Pte Limited of Singapore, with a contract sum of approximately SGD53 million(approximately RMB255 million). However, the new 5-year agreement entered into with Eskom Holdings Limited has to be postponed to 2014. Besides, due to the higher level of acceptance for aluminum alloy cables in overseas markets, we expect the product will become one of the Group's major products selling overseas.

Wuxi New Suneng Composite Material Co., Ltd. has commenced production in January 2013 and the estimated full production capacity for aluminum alloy rods and double capacity conductors were 70,000 tonnes and 30,000 tonnes per annum respectively. The Group established a plant in South Africa in 2012 and the production was duly commenced in the second half of 2013. In 2014, we will continue to develop the Group's 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 for high and ultra-high voltage cables with rated voltage of 220–500 kV in its Yixing production base. In 2014, an additional production line for ultra-high voltage cables of 900 km will be built and is expected to commence production by the end of 2014. The increase in production capacity will help to reduce the operating costs of the Group and increase the Group's competitiveness in the market. It is expected that the Group will become one of the leaders in producing high and ultra-high voltage cables in China. The Group will continue looking for acquisition target which produces special cable products and possesses quality clientele. This will not only increase the Group's production capacity but also will generate additional income to the Group.

Turnover

Sales of power cables, the Group's principal products, have recorded continuous growth with turnover of RMB4,239.7 million, and increase of 14.5% (2012 of RMB3,701.3 million) and accounting for approximately 65.5% of the Group's total turnover. The sales volume for power cables increased from 46,866 km in 2012 to 69,701 km in 2013 or an increase of approximately 48.7%. The average selling price of power cables dropped from RMB78,976 per km in 2012 to approximately RMB60,826 per km in 2013 which was mainly attributable to the increase in sales of lower-end general cable products produced and sold by Zhongmei Cable and the decline of copper and aluminum prices in 2013.

Sales of wires and cables for electrical equipment also recorded growth with a turnover of RMB1,513.7 million, an increase of 14.1% (2012 of RMB1,326.8 million) and accounting for approximately 23.4% of the Group's total turnover. The sales volume for wires and cables for electrical equipment increased from 550,246 km in 2012 to 708,708 km in 2013 or an increase of approximately 28.8%. The average selling price of wires and cables for electrical equipment dropped from RMB2,411 per km in 2012 to approximately RMB2,136 per km in 2013 which was mainly attributable to the decrease in raw material price of copper and aluminum in 2013.

Sales of bare wires also recorded growth with turnover of RMB348.1 million, an increase of 6.0% (2012 of RMB328.3 million) and accounting for approximately 5.4% of the Group's total turnover. The sales volume for bare wires increased from 18,810 tonnes in 2012 to 26,377 tonnes in 2013 or an increase of approximately 40.2%. The increase in sales volume of bare wires was mainly attributable to the increase in demand of aluminum alloy rods and double capacity conductors and also new orders from emerging countries such as Vietnam and Ethiopia.

Sales of rubber cables reached RMB375.9 million (2012: nil). The sales volume of rubber cables achieved 19,328 km in 2013. The increase in turnover of rubber cables was mainly contributed by the turnover of Zhongmei Cable which the Group acquired in July 2013.

Revenue by Geographical Markets

The PRC market remains the Group's key market. Sales to the PRC market increased by approximately 22.8% to RMB6,088.4 million and accounted for approximately 94.0% of total revenue, the increase was primarily due to 94.0%

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 16.8% from RMB94.1 million to RMB110.0 million. The increase was mainly due to additional sales and distribution costs incurred by Zengyang Investment Group the Group acquired in 2013. Selling and distribution expenses as a percentage of turnover remained stable at approximately 1.7% in 2012 and 2013.

Administrative Expenses

Administrative expenses increased by approximately 54.2% from RMB86.0 million to RMB132.6 million. The increase was mainly due to the increase in office expenses, salaries and travel expenses incurred during the year as a result of inclusion of the post acquisition costs of Zengyang Investment Group the Group acquired in 2013 and the increase in business involvement overseas which drove the travel expenses up.

Other Expenses

Other expenses, which composed of research and development cost and costs related to the acquisition of Jiangsu Zengyang decreased by approximately 45.6% from RMB32.2 million to RMB17.5 million, primarily due to the one-off expenses related to the initial public offering incurred in 2012 no longer exist in 2013.

Gain on bargain purchase

Gain on a bargain purchase of RMB42.3 million was recognised upon completion of the acquisition of Jiangsu Zengyang. It represented the net assets acquired from the acquisition on the completion date exceeding the consideration transferred.

Finance Costs

Finance costs increased by approximately 7.2% from RMB182.2 million in 2012 to RMB195.3 million in 2013 mainly due to the increase in bank borrowings required for financing the enlarged business operations after the acquisition of Jiangsu Zengyang during the year. Finance costs as percentage of turnover reduced from approximately 3.4% in 2012 to 3.0% in 2013 as a result of financial integration which the Group was able to lower the average borrowing interest rate in 2013.

Profit for the Year

Profit for the year in 2013 increased by approximately 33.9% from RMB376.1 million as recorded in 2012 to RMB503.5 million. The increase was in line with the increase in turnover as a result of business growth and sales contributed by the Group's newly acquired wholly-owned subsidiary. In addition, there was a gain on bargain purchase incurred in 2013 due to the acquisition of Jiangsu Zengyang.

Financial Position and Liquidity

As at 31 December 2013, total assets of the Group amounted to RMB7,557.3 million (31 December 2012: RMB5,286.6 million).

Non-current assets increased by approximately 60.2% from RMB559.6 million as at 31 December 2012 to RMB896.5 million as at 31 December 2013. The increase was mainly due to the assets acquired under the acquisition of Jiangsu Zengyang.

Current assets increased by approximately 40.9% from RMB4,727.1 million as at 31 December 2012 to RMB6,660.8 million as at 31 December 2013 mainly due to increase in inventories and receivable as a result of the assets acquired under the acquisition of Jiangsu Zengyang.

Total interest-bearing bank borrowings increased by approximately 51.1% from RMB1,934.5 million as at 31 December 2012 to RMB2,922.1 million as at 31 December 2013. Of the Group's total bank borrowings, approximately 94.2% of short-term borrowings were made by the Group's subsidiaries Wuxi Jiangnan Cable Co. Ltd. and Jiangsu Zhangmei Cable Co. Ltd. These loans were not guaranteed by the Company.

Equity attributable to owners of the Company was RMB2,285.7 million as at 31 December 2013, approximately 21.5% higher than the RMB1,880.8 million as at 31 December 2012. The increase was attributable to the total comprehensive income in 2013 added to equity attributable to owners of the Company.

As at 31 December 2013, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balances and cash and pledged bank deposits) of RMB431.9 million over total equity of RMB2,285.7 million, increased from approximately 2.2% as at 31 December 2012 to approximately 18.9% as at 31 December 2013. The increase was due to increase in bank borrowings outstanding as at 31 December 2013 to cope with increase in inventories level for production.

As at 31 December 2013, the Group pledged certain of its buildings and machinery with carrying value of RMB120,944,000 and RMB73,108,000, respectively (2012: RMB58,711,000 and RMB38,061,000, respectively) to certain banks to secure credit facilities granted to the Group.

At 31 December 2013, the Group pledged certain of its inventories with an aggregate carrying value of RMB398,340,000 (2012: RMB434,134,000) to certain banks to secure credit facilities granted to the Group.

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.

As at 31 December 2013, neither the Group nor the Company had any significant contingent liabilities.

Use of net proceeds received from the initial public offering ("Listing")

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$448.1 million (or equivalent to approximately RMB370.0 million), which is intended to be applied in the manner consistent with that in the prospectus of the Company dated 10 April 2012. As at the date of this announcement, approximately HK$141.0 million in aggregate was used to set up production facilities for aluminium alloy and double capacity conductors of which approximately HK$115.0 million was settled by the net proceeds from the Listing and the balance of approximately HK$26.0 million was settled by the Group's internal resources, approximately HK$40.1 million in aggregate of the net proceeds was used to set up a manufacturing facility in South Africa, approximately HK$16.5 million of the net proceeds was used for expansion of the Group's production facilities for high and ultra-high voltage cables, approximately HK$28.8 million of the net proceeds was used to upgrade and expand existing production facilities and enhance research and development capabilities, and approximately HK$14.1 million of the net proceeds was utilised for the Acquisition.

Acquisition of subsidiaries

In July 2013, the Group acquired 100% equity interest in Jiangsu Zengyang for a maximum consideration of RMB500,000,000.

Jiangsu Zengyang, through its subsidiary, Zhongmei Cable is engaged in the manufacturing and sales of Zhongmei Special Wires and Cables which are more sophisticated and with special features, thus enable the Group to increase its product offering and market shares in specific industries and enhance its income stream.

Dividend

An interim dividend of HK1.4 cents per share (2012 interim dividend restated as HK1.9 cents per share after taking into consideration of bonus issue) amounting to HK$43,080,800 (approximately RMB34,137,000) in aggregate was paid to the shareholders of the Company during the year.

Subsequent to the end of the reporting period, the Board recommended a final dividend ("Final Dividend") of HK3.3 cents per share for the year ended 31 December 2013 (2012: HK2.2 cents) to the shareholders of the Company which is subject to shareholders' approval in the forthcoming annual general meeting to be held on 23 May 2014 ("AGM").

Subject to the approval of the shareholders of the Company at the AGM, it is expected that the Final Dividend will be paid on or around 30 June 2014 to the shareholders whose name appear in the register of members of the Company on 6 June 2014.

Closure of Register of Members

For the purpose of determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 21 May 2014 to Friday, 23 May 2014, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 20 May 2014.

For the purpose of determining the entitlement to the proposed Final Dividend for the year ended 31 December 2013, the register of members of the Company will be closed from Wednesday, 4 June 2014 to Friday, 6 June 2014, both days inclusive, during which period no transfer of sh31 31 wh 4,

Prospects

Following the successful acquisition of Jiangsu Zengyang, the Group is now equipped with more comprehensive product offering, be able to enhance its product research and development capabilities, can immediately increase its market share and has further strengthened its management capabilities. In 2014, the Group will continue to look for acquisition targets which are in line with the Group's development strategy so as to ensure the Group will continue to maintain a leading position in both the domestic market and overseas trades.

In overseas markets, the Group will strive to develop new markets. The Group's new cable workshop in South Africa has commenced production in the third quarter of 2013, with an annual production capacity of approximately 10,000 km. Turnover contributes from the South Africa workshop is expected to increase year over year. The new workshop not only provides the Group a favorable production environment in South Africa but also can strengthen the Group's relationship with existing and potential customers. It will definitely help to promote the Group's brand awareness in the African countries.

In 2014, the State Grid Corporation of China will accelerate in upgrading rural power grids construction, to ensure stable power supply to rural areas, to resolve the outstanding issues relating to rural power supply, to promote standardization of the distribution network in rural areas, and to improve the quality of rural power development. This will bring huge business opportunities for the Group.

Another main focus of the Group in the coming year is the development of the ultra-high voltage cables and conductors. One important reason for this is that the central government is vigorously promoting cross provinces power transmission, including the connection of renewable energy sources located in remote areas and the construction of coal base power source transmission channel, to resolve the haze issue in China. Ultra-high voltage network and the smart grid system are the solutions for the above mission. In 2014, the State Grid Corporation of China committed to invest RMB403.5 billion, an increase of approximately 11.9% as compared to 2013 of which grid investment accounted for RMB381.5 billion, an increase of 12.9 % which is higher than the 2013's growth rate. The Group believes that these favorable government policies will be the key revenue driver of high rated-voltage products which the Group already produced.

PURCHASE, SALE OR REDEMPTION

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's share during the year ended 31 December 2013..

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (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 year ended 31 December 2013.

Pursuant to code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the roles of 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 who have confirmed their compliance with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the year ended 31 December 2013.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management team the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2013 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

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

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.jiangnangroup.com). The annual report for the year ended 31 December 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 continuing 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

PRC, 31 March 2014

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