

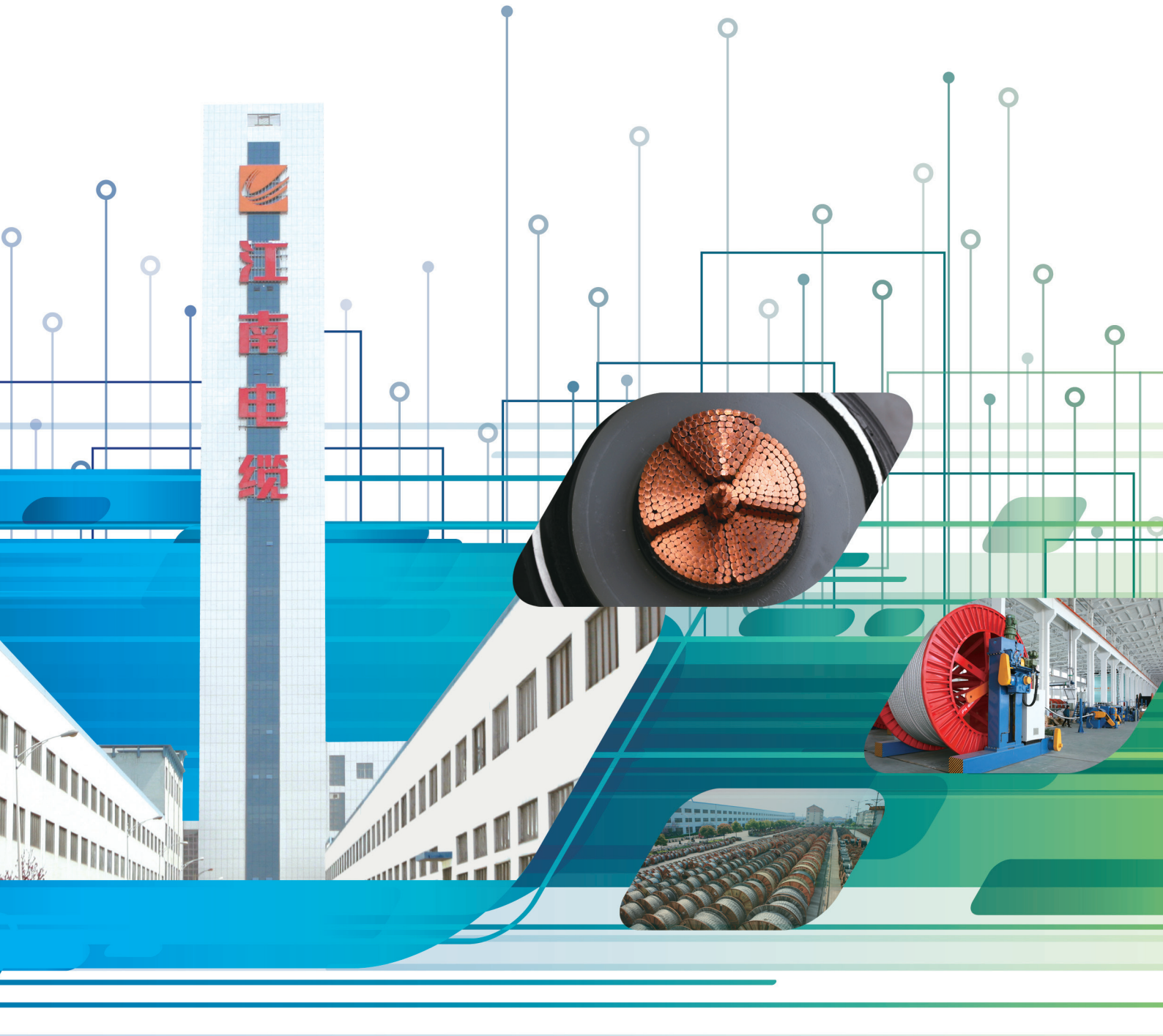


江南集團有限公司

Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1366

Interim Report 2013



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Chairman's Statement

Dear Shareholders,

I am pleased to submit the 2013 interim results report of the Group for the period of six months ended 30 June 2013 to our shareholders.

In the past six months, the global economy was still influenced by the European debt crisis and the slow recovery of the US economy. On the other hand, the growth of the economy in the People's Republic of China ("China" or the "PRC") also slowed down. Local banks encountered capital constraints and demand for working capital in the industry was high, with varied price and qualities of the products, the power cable industry in China was facing important challenge. Facing various unfavorable factors from the global economy and the industry, the Group, as one of the largest power cable suppliers in the PRC, maintained its position while progressively expand its market share.

Turnovers and profit for the period under review recorded a slight decrease as compared with the same period last year. 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 6.0% over the same period in 2012. For the period under review, overseas markets also recorded a decline in revenue of approximately 46.3% due to 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. Nevertheless, the Company expects to enter into a new 5-year agreement with Eskom Holdings Limited in September 2013. The revenue derived from the orders of Power Works Pte Ltd in Singapore rose by 55.7% as compared with the same period in 2012.

In July 2013, we successfully acquired ("Acquisition") 江蘇錫陽投資有限公司 (in English, for identification purpose only, Jiangsu Zengyang Investment Company Limited) ("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 types of wires and cables ("Zhongmei Special Wires and Cables"). 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. It is estimated that the profit promised by Zhongmei Cable will be able to contribute to the revenue of the Group in the second half of 2013.

In the tender for the 2013 third batch transmission and distribution project of State Grid Corporation of China, 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. Moreover, the Group has established a new subsidiary, Wuxi New Suneng Composite Material Co., Ltd. in the first half of 2012. Production has commenced in January 2013. The estimated production capacity for aluminium alloy rods and double capacity conductors were 70,000 tonnes and 30,000 tonnes per annum respectively. Globally, we have deployed a large amount of resources into the overseas business. Our products are exported to over 50 countries and regions overseas. On this basis, we will further explore the markets in developing countries. A plant in South Africa will commence production in the second half of 2013 with the great effort made by the Group.

Chairman's Statement

For the second half of 2013, with increased number of orders and expected increase of the metal raw material price, the Group is expected to enjoy a better profit in the second half of the year. Meanwhile, the plant in South Africa will commence production in the second half of the year. All the above improvement in production capacity would help to enhance the overall performance of the Group in 2013. In the "Twelfth Five-year" planning of the country, ultra-high voltage grid network and smart grid network would be one of the focuses of development. Substantial relevant supporting measures and structural adjustments will be issued and there will be adequate financial support. Leverage on the supporting policy of the PRC and the external environment gradually stabilized, we can foresee an outstanding results in the second half of the year.

On behalf of the board of directors ("Directors") of the Company, I would like to take this opportunity to express my sincere gratitude to our business partners and customers for their support in the past and future, and thank all the staff in our Group for their dedication and contribution. In the future, we will continue to rely on our competitive edge to identify better market opportunities and explore a wider market domestically and overseas, so as to further establish a solid foundation for future development and to bring more fruitful results and return to our shareholders.

Rui Fubin

Chairman and Executive Director of the Group

Hong Kong, 23 August 2013

Corporate Information

Executive Directors

Rui Fubin (*Chairman, Chief executive officer and
Chairman of Corporate Governance Committee*)

Chu Hui

Rui Yiping

Xia Yafang

Jiang Yongwei

Hao Minghui

Independent Non-Executive Directors

He Zhisong

Wu Changshun

*(Chairman of the Nomination Committee and
the Remuneration Committee)*

Yang Rongkai

Poon Yick Pang Philip

(Chairman of the Audit Committee)

Authorized Representatives

Chan Man Kiu

Xia Yafang

Company Secretary

Chan Man Kiu, CPA, FCCA

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

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

Principal Place of Business In Hong Kong

Unit 22, 15/F, Leighton Centre, 77 Leighton Road,
Causeway Bay, Hong Kong

Principal Place of Business in China

No. 53, Xin Guan East Road

Guanlin Town

Yixing City

Jiangsu Province

PRC

Independent Auditor

Deloitte Touche Tohmatsu

Certified Public Accountants, Hong Kong

Legal Advisors

Conyers Dill & Pearman (Cayman) Limited
(Cayman Islands laws)

Leung & Lau (Hong Kong laws)

AllBright Law Offices (PRC laws)

Compliance Adviser

Daiwa Capital Markets Hong Kong Limited
Level 28, One Pacific Place
88 Queensway
Hong Kong

Stock Code

1366

Website

www.jiangnangroup.com

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 6.0% over the same period in 2012. The Group's gross profit margin for the six-month period ended 30 June 2013 increased to 16.0% as compared with the same period in 2012 of 15.6%. 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 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 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 expenses.

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.

Management Discussion and Analysis

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 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.

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 an aggregate 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 six-month period ended 30 June 2013, interest expense of RMB517,000 (2012: RMB946,626) have been capitalised.

Contingent Liabilities

As at 30 June 2013, neither the Group nor the Company had any significant contingent liabilities.

Interim Dividend and Closure of Register of Members

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.

Outlook and Plan

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 has absolute confidence 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 a view 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 of the Target Company and its subsidiaries, in particular, 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 Zhongmei Special Wires and Cables which are with special features, and 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 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.

Outlook and Plan

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 under review 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.

Outlook and Plan

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.

Unaudited Interim Results

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

	Notes	Six-month period ended	
		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			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of a foreign operation		(6,231)	2,773
Total comprehensive income for the period attributable to owners of the Company		143,172	161,658
Earnings per share — Basic	8	4.9 cents	(restated) 5.9 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (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			
Share Capital	13	(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 RMB'000	Share premium RMB'000 (Note a)	Special reserve RMB'000 (Note b)	Non-distributable reserve RMB'000 (Note c)	Statutory reserve RMB'000 (Note d)	Translation reserve RMB'000	Accumulated profit RMB'000	Total RMB'000
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
Profit for the period	-	-	-	-	-	-	217,235	217,235
Other comprehensive income (expense)	-	-	-	-	-	(2,843)	-	(2,843)
Total comprehensive income for the period	-	-	-	-	-	(2,843)	217,235	214,392
Bonus shares issued	12,463	(12,463)	-	-	-	-	-	-
Interim dividends recognised as distribution	-	-	-	-	-	-	(47,228)	(47,228)
Transfers	-	-	-	-	39,733	-	(39,733)	-
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.

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

(b) The special reserve represents the difference between the nominal value of the shares of the Company issued in exchange for the entire equity interest in Extra Fame 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 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Cash used in operations	(938,351)	(148,802)
PRC income tax paid	(28,204)	(49,154)
Net cash used in operating activities	(966,555)	(197,956)
Investing activities		
Interest received	12,680	4,462
Purchases of property, plant and equipment	(4,509)	(65,059)
Proceeds from disposal of property, plant and equipment	8,582	–
Deposits paid for acquisition of property, plant and equipment	(7,340)	(3,876)
Interests in associates	(11,940)	–
Release of pledged bank deposits	766,837	498,544
New pledged bank deposits raised	(711,140)	(958,732)
Net cash generated from (used in) investing activities	53,170	(524,661)
Financing activities		
Interest paid	(83,297)	(81,946)
New bank borrowings raised	1,202,950	1,064,100
Repayment of bank borrowings	(1,025,000)	(843,425)
Advances from (repayment to) directors	845	760
Dividend paid	(57,648)	–
Proceeds raised from IPO	–	390,660
Expenses incurred in connection with issue of shares	–	(20,696)
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 the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 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)	Separate 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.

Notes to the Condensed Consolidated Financial Statements

3. Turnover and Segment Information *(continued)*

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 RMB'000 (unaudited)	30.6.2012 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements

3. Turnover and Segment Information *(continued)*

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

	Six-month period ended	
	30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (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 RMB'000 (unaudited)	30.6.2012 RMB'000 (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), South Africa and Singapore. 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.

Notes to the Condensed Consolidated Financial Statements

4. Other Income

	Six-month period ended	
	30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (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 RMB'000 (unaudited)	30.6.2012 RMB'000 (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 calculated 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.

Notes to the Condensed Consolidated Financial Statements

6. Profit for the period

	Six-month period ended	
	30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (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 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Profit for the period attributable to the owners of the Company for the purpose of calculation 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.

Notes to the Condensed Consolidated Financial Statements

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 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Buildings	156	–
Plant and machinery	5,597	4,704
Furniture, fixtures and equipment	907	793
Motor Vehicles	665	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 an aggregate 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 RMB'000 (unaudited)	31.12.2012 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements

10. Trade and Other Receivables *(continued)*

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 ageing analysis of trade and bills receivables based on the invoice date at the end of the reporting period is as follows:

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (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 RMB'000 (unaudited)	31.12.2012 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements

11. Trade and Other Payables *(continued)*

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (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 RMB'000 (unaudited)	31.12.2012 RMB'000 (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.

Notes to the Condensed Consolidated Financial Statements

12. Bank Borrowings *(continued)*

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 RMB'000 (unaudited)	31.12.2012 RMB'000 (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 divided into 10,000,000 ordinary shares of HK\$0.01 each. Upon incorporation of the Company, one share of HK\$0.01 each was issued at nil paid.

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

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

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

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

On 15 November 2012, the Company issued 1,538,600,000 bonus shares on the basis of one new ordinary share of HK\$0.01 each for every one existing share held by the shareholders whose names appeared in the register of members of the Company on 7 November 2012.

Notes to the Condensed Consolidated Financial Statements

13. Share Capital and Reserves *(continued)*

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

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

	Number of shares	Amount in HK\$	Shown in the financial statements as RMB'000
Ordinary shares at HK\$0.01 each			
Authorised:			
On 4 January 2011 (date of incorporation) and 31 December 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.

Notes to the Condensed Consolidated Financial Statements

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 RMB'000 (unaudited)	30.6.2012 RMB'000 (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 江蘇錕陽投資有限公司 (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 as RMB500,000,000) be approved.

Directors' and Chief Executive Interests

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 30 June 2013, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long positions in the issued shares of the Company and associated corporations

Name of director	The Company/ Name of associated corporations	Capacity/Nature of interest	Number and class of shares in the Company/ associated Corporations	Approximate percentage of interest
Mr. Rui Fubin	The Company	Interest of controlled corporation	2,206,800,000 ordinary shares	71.72%
Mr. Rui Fubin	Power Heritage Group Limited (<i>Note</i>)	Beneficial owner	83 ordinary shares	83%
Mr. Rui Yiping	Power Heritage Group Limited (<i>Note</i>)	Beneficial owner	17 ordinary shares	17%

Note: These shares were registered in the name of Power Heritage Group Limited, which is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping.

Save as disclosed above, none of the directors and chief executives of the Company, had any interests or short positions in the shares, underlying shares and debentures of the Company and associated corporations as at 30 June 2013.

Interests of Substantial Shareholders

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2013, the interests and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company, as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions of substantial shareholders in the shares of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of interest
Power Heritage Group Limited	Beneficial owner	2,206,800,000 (Note 1)	71.72%
Ms. Shi Mingxian	Interest of spouse (Note 2)	2,206,800,000	71.72%

Notes:

- (1) These shares are registered in the name of Power Heritage Group Limited, a company which is owned as to 83% by Mr. Rui Fubin and 17% by Mr. Rui Yiping. Under the SFO, Mr. Rui Fubin is deemed to be interested in all the Shares held by Power Heritage.
- (2) Under the SFO, Ms. Shi Mingxian, the spouse of Mr. Rui Fubin, is deemed to be interested in all the shares in which Mr. Rui Fubin is interested in.

Other than disclosed above, the Company has not been notified of any persons who, as at 30 June 2013, had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company under Section 336 of SFO.

Corporate Governance and Other Information

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

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.

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.

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"). Having made specific enquiry of all Directors, there had not been any non-compliance with the required standard set out in the Model Code and the Company's code on securities transaction by the Directors.

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 Company Securities of the Company at any time when they possess inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees 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 and this interim report.

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

Code on Corporate Governance Practices

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

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

Corporate Social Responsibility

Corporate social responsibility is a vital mission in the process of globalization of an enterprise. The Group has been maintaining a high standard of social responsibility since its incorporation. The Group considered “contributing to society with the wealth gained therein and to be a responsible corporate citizen” as a long term and meaningful mission. In the first half of 2013, the Group focused on the creation of social value while ensuring its profitability in order to contribute to the society and realize the integration and consolidation of the sustainable development of the enterprise and the society.

(1) Protect the Interest of the Stakeholders

The Group has been continuously perfecting its governance structure as a legal person and adopted the code provisions set out in the CG Code. It established an interactive platform to communicate with the investors, strictly performed its obligation in disclosure and ensured the information disclosed are true, timely, accurate and complete.

(2) Protect the Interest of Staff

The Group respects and protects the interest of its staff. The Group devoted much effort in the personnel training. The Group also care about the health, safety and satisfaction of its staff, creating a harmonious and stable employment relationship and achieving a progress between our staff and the corporation:

For the protection of the welfare of staff, the Group strictly complies with the labour laws and regulations and the requirements of the governing authorities.

For the education and training of staffs, the Group provides all-rounded and persistent occupational trainings to them. These training programs aim at inspiring the working enthusiasm of the staffs, enhancing the quality of the staffs in all aspect and promoting the growth of them.

For the occupational health and safety, the Group strictly follows the occupational health and safety management system in its operation. The dangerous elements are monitored at all time so that the production and operation activities are scientific, systematic and safe throughout the whole process. Various staff experiencing activities were organized during the reporting period. The occupational hazard was prevented at its early stage, creating a safe and healthy working and living environment for its staff. During the reporting period, there was no event occurred that affect the health and safety of staff.

(3) Environmental Protection and Sustainable Development

During the reporting period, the Group established a comprehensive environmental management system, improved the daily control of the environmental protection work, and filled the ideology of “low-carbon, energy saving, green, environmental-friendly” into every detail of the Group’s operation.

To ensure that the carbon emission complies with the reasonable guarantee level of ISO14064-1, the Group prepared an annual emission report. In order to improve the creditability of the greenhouse gas emission report of the Group, on 31 July 2013, the Group has engaged China Quality Certification Centre to carry out an annual independent third party external examination to the Group’s greenhouse gas emission. The examination result revealed that the Group is in compliance with greenhouse gas (GHG) emission standards in 2012.

Corporate Social Responsibility

(4) Public Relation and Social Welfare

The Group adheres to the operation philosophy of “Care for the community, people-oriented, morality and profit”. In order to carry out our social responsibility, it focuses on the active participation of community activities and charity events in the society. Over the years, the Group made donation to cultural education, sports, disaster, poverty, medical and sanitary. It also took part in different charity activities such as voluntary blood donation.

In the second half of 2012, as a leading enterprise in the industry, the Group will continue to perform its economic, social and environmental responsibility. It will use its best endeavor to fulfill and realize the expectation of all stakeholders and focuses on the creation of social value.