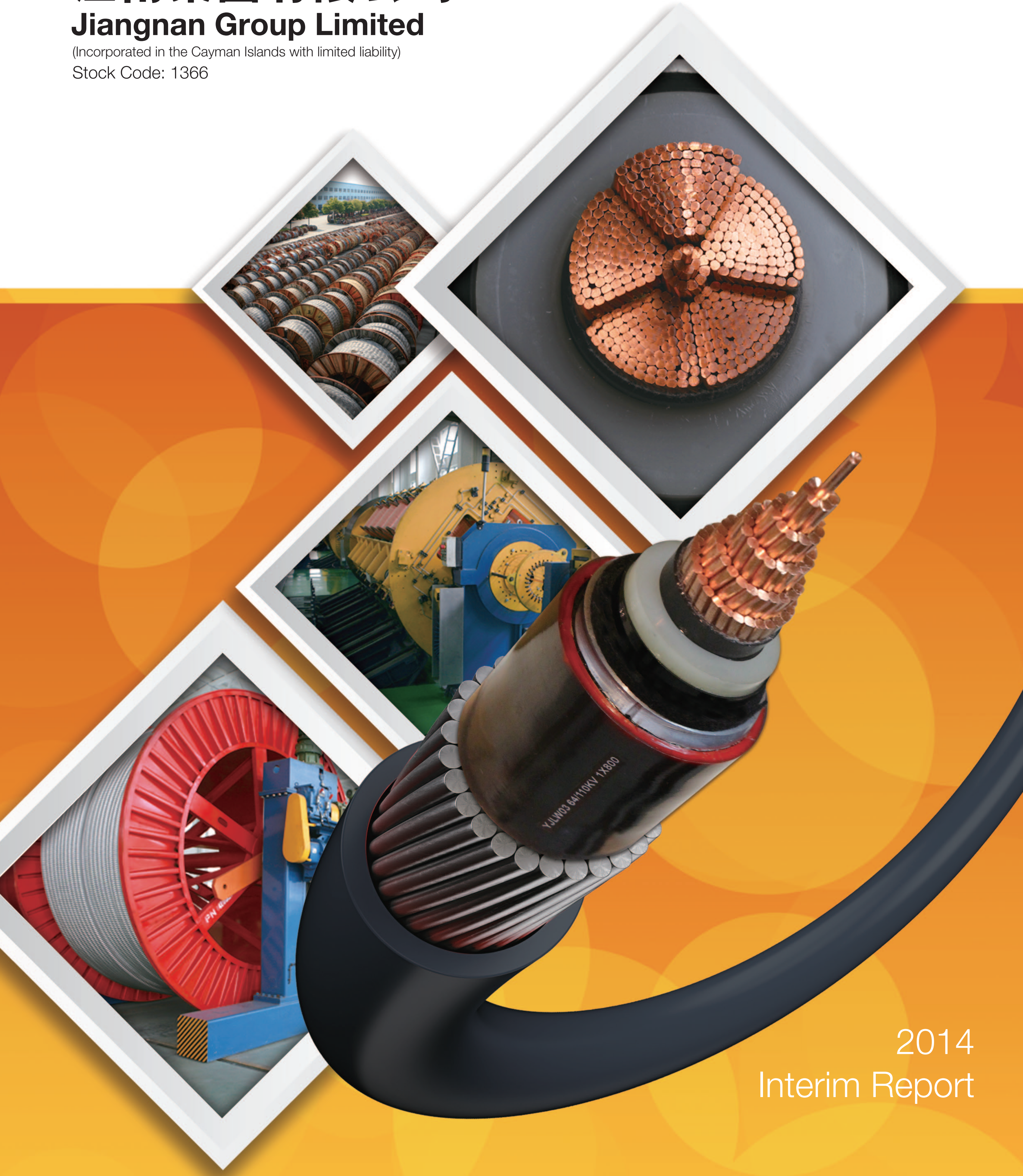
江南集團有限公司
Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1366



2014
Interim Report

Contents

Chairman's Statement

Dear Shareholders,

I am pleased to submit the 2014 interim results report of the Group for the six months period ended 30 June 2014 to our shareholders.

In the first half of 2014, turnover and profit for the period attributable to owners of the Company recorded significant growth as compared with the same period last year. Turnover of all product segments also recorded growth. The growth was mainly attributable to increase in turnover of the Group as a result of its organic growth in business as well as the result contributed by the Group's wholly-owned subsidiary acquired in 2013. The growth which was driven not only by the continuous devoted effort of our staff but also our strategy to increasing focus on selling to sectors with strong national policies support and the synergy from our successful post-acquisition integration.

Well Positioned for Robust Demand from National Policies Supported Grid Investment

After 4 years' vigorous debates from 2010 to 2013 among various parties, the construction for the national ultra-high voltage ("UHV") grid eventually kicked off in 2014. Most cities in China are plagued with severe air pollution and suffered from the problems of haze and smog. China is to "declare war" against haze pollution, Premier Li Keqiang said at the opening of the 2014 National People's Congress. In the meeting of National Energy Commission held in April 2014, Premier Li reinforced the urgency for the development of long distance UHV transmission project. Chairman Xi Jinping also stressed the need to develop long-distance high-capacity power transmission technology in the meeting of the Central Financial Work Leading Group. The above speeches set the mission by the Central Government in speedy development of UHV grid.

According to the investment plan of the State Grid Corporation of China (SGCC) on UHV grids, SGCC will invest RMB 1,000 billion during 2014 to 2020. "2 horizontal, 2 vertical", "3 horizontal, 3 vertical" and "5 horizontal, 5 vertical" UHV synchronous grid will be completed by 2015, 2017 and 2020 respectively. This stands for in total 27 UHV grid lines will be built and completed by 2020. Triggered by the "National Air Pollution Prevention Action Plan" published by the State Council in September 2013, 12 "smog and haze tackling" grid lines are to be completed by 2017, of which SGCC responsible for 11 of the grid lines (4 DC UHV grids, 4 AC UHV grids and 3 500kV UHV grids). Planned investment for the 12 grid lines will reach RMB 400 billion.

In July 2014, SGCC has hosted the conference for the general mobilization of Huainan-Nanjing-Shanghai 1000kV AC UHV transmission and transformation project ("Huainan-Nanjing-Shanghai Project"), which benchmarked the UHV grid project has officially started. Huainan-Nanjing-Shanghai Project is the fourth UHV AC line after the Jindongnan-Nanyang-Jingmen, Huainan-Northern Zhejiang-Shanghai, Northern Zhejiang-Fuzhou projects. This is also the first approved project out of the 12 UHV lines under the "National Air Pollution Prevention Action Plan". The commencement of the Huainan-Nanjing-Shanghai Project evidenced the determination of the Central Government in the UHV grid construction.

Chairman's Statement

With the development of UHV grid transmission, the power distribution network of the nation has to be upgraded simultaneously. Power cables used for distribution has to be upgraded with higher rated-voltage in order to cope with the ever increasing electricity demand and consumption. According to the document on the "strengthening of urban infrastructure construction [2013] No. 36" issued by the State Council (國務院發佈的國發[2013]36號《關於加強城市基礎設施建設的意見》), by 2015, tier 1 cities such as Beijing, Shanghai and Nanjing, are required to complete the construction of city underground grid system with mainstream electricity supply using rated-voltage of 500kV or 330kV, and majority of all other cities are required to complete the construction of city underground grid system with rated-voltage of 220kV or 110kV. This will drive huge demand for Extra High Voltage ("EHV") power cables. In addition to the city underground grid system, EHV cables is also a complementary product for the development of UHV grid. EHV cables connect and transmit electricity from UHV transformation stations to the city underground grid system.

Base on the above, the Group expected the demand for EHV cables will increase drastically from 2015. On the supply side, the lead time to become a qualified supplier of EHV cables to the two grid corporations in China is very long, as the technological requirement of manufacturing EHV cables is extremely high and the pre-requisite to obtain the required accreditation is very stringent. The Group expects that supply of EHV cables in China is not able to catch up with the demand. The Group has started to deploy resources for the EHV project since 2007 and becomes one of a few qualified suppliers of the two grid corporations in China in 2013. The Group will therefore benefit from the uprising demand of the EHV cables in China.

Besides the UHV grid, SGCC will increase the total investment in the whole grid system. Planned total capex investment of SGCC in 2014 will reach RMB403.5 billion, of which RMB381.5 billion will be invested in the grid network, an increase of 20% as compared to 2013. Out of the RMB381.5 billion investment, RMB160 billion will be deployed on power distribution system. The Group has been positioned to benefit from the above increase in investment as the Group is able to deliver quality wires and cables product on time. A lot of our peers have failed in maintaining their accreditation with SGCC. During the audit process carried out by SGCC in 2013, there were 705 suppliers with 988 cases of problems reported. 618 cases were related to product quality issue and others were either due to being unable to deliver on time or integrity issues of suppliers. With stringent requirements imposed by SGCC, the Group's share of the market is expected to increase.

The further development in China to achieve a 30% contribution of electricity supply using renewable energy by 2030 creates huge demand for special power cables and wires. The Central Government is going to strengthen the development of renewable energy in order to tackle the haze and smog problem. The technological requirements for the cables and wires for transmission and distribution of the renewable energy are much higher than those of general cables. For example, the power cables for solar plants have the characteristic of UV resistance, and the power cables for wind turbines have high flexibility and resistance for abrasiveness. The Group has already developed the relevant products to cater the need for the development of renewable energy.

The Group has participated in various renewable energy projects in the first half of 2014, namely China Guodian Shengdu 50MW photovoltaic power plant, the first phase of Jiangsu Guaxin coastal wind power project (49.5MW) and Shanghai Chongming North Font (47.5MW) wind power project.

Since most of the power plants are located in distant areas, to reduce energy loss during transmission, high-end product such as EHV cables and UHV wires are required. Development of renewable energy will boost the Group's business further.

Chairman's Statement

Take a Ride on Urban Rails and Railway Construction

The construction of railways accelerates in 2014. In the first half of 2014, the capital investment in railways reached RMB327.3 billion, grew by 51% as compared to the same period in 2013. The total investment in 2014 has been revised from RMB600 billion to RMB800 billion. The construction for the urban rails also accelerates this year. According to National Development and Reform Commission ("NDRC"), there are 37 cities approved to construct the urban rails and the construction works have started. Nantong, Luoyang, Jinan and Hohhot have tendered the proposals for having their own metro. It is expected that a total of 40 cities will have metro by 2015 and the total miles will reach 4,000km. In 2014, the investment in urban rails will reach RMB 220 billion, grew by RMB40 billion as compared to 2013. According to the forecast by Standard and Poors, the total estimated investment for urban rails between 2014 and 2020 will range from RMB2,000 billion to RMB2,500 billion.

Urban rail transit is one of the city's largest infrastructures while wire and cable is rail traffic's artery and lifeline. The rapid development of railways and urban rails will drive substantial demand for wires and cables. Wires and cables used for urban rails require higher technology. First of all, the cross section area of the cables for urban rails normally is larger. Secondly, these cables need to be more functional i.e. waterproof, anti-oil, anti-UV, and rodent and termite prevention. Thirdly, they have to be light, flexible and easy to install and repair. Due to the above specific requirements, there are only a few suppliers in China who can provide qualified products. Also because of the specific requirements of cables for rails, the related products enjoyed a higher gross profit margin than general cables. The Group has participated in several key metro projects in the first half of 2014, including Dailin Metro, Hefei Metro and Light Rail Project in Huai'an.

China's Economy

During the current interim period, the Group was still facing some unfavorable factors. China's economy is undergoing structural change to sustain a stable GDP growth. Macro economy is still full of uncertainties which affect a number of industries including real estate development. The national fixed asset investment for the first half of 2014 has grown by 17.3% (2013: 20.1%). The slow down in such investment reflected the measures adopted to tackle the problem of excessive production capacity. Wires and cables industry nevertheless will also be affected by the slowdown of the macro economy. Secondly, the Group adopted a cost-plus pricing model and commodities like copper and aluminum accounted for 80% of the Group's cost of goods sold. The decrease in copper and aluminum price in the first half of 2014 by approximately 8% has caused the drop in average product selling price. In the first half of 2014, the Group has also developed various high-end products including UHV energy saving conductor, demagnitized-cable and aluminum-alloy cables.

Though the Group is facing all the above negative impacts, the Groups is still able to overcome the difficulties and deliver a satisfactory performance for the current interim period. It is because the Group positioned correctly on national policies supported sectors and it successful integrated to optimize production efficiency and stringent costs control. This reflects a reasonable reward for our strong foundation laid down in the past 30 years.

Chairman's Statement

Outlook and Plan

UHV wires and EHV cables will be the key growth drivers for the Group in the coming years. To cope with the increasing market demand especially for the EHV cables and the limited supply of the product in China, the Group will set up 3 additional vertical continuous vulcanizing ("VCV") production lines for 500kV EHV cables by June 2015. It is expected that the Group's annual production capacity for EHV cables will then be increased from the existing 1,000 km to 1,900 km.

In March 2014, SGCC has set out the targets this year for the construction of UHV in its work conference. SGCC set a "One, Two & Four" target for UHV AC lines. "One" means the completion of construction of Northern Zhejiang-Fuzhou (浙北-福州) UHV AC line. "Two" stands for the approval to commence construction of two UHV AC lines: Huainan-Nanjing-Shanghai (淮南-南京-上海) and Ya'an-Wuhan (雅安-武漢). "Four" means to prepare for all the preliminary work before commencement of construction for four UHV AC lines: Ximeng-Zaozhuang (錫盟-棗莊), West Inner Mongolia-South Tianjin (蒙西-天津南), Jingbian (Yu Wang)-Weifang (靖邊(榆橫)-濰坊) and West Inner Mongolia-Changsha (蒙西-長沙). SGCC also set "One, Two & Two" target for UHV DC lines. "One" means the completion of Western Zhejiang-Xiluodu (浙西-溪洛渡) UHV DC line by June 2014. "Two" means the approval for construction of Ning East-Zhejiang (寧東-浙江) and Jiuquan-Hunan (酒泉-湖南) UHV DC lines. The last "Two" stands for preliminary work of Shanghai-Shandong (上海-山東) and Ximeng-Taizhou (錫盟-泰州) UHV DC lines.

As the leader in UHV technology in the world, China is pleased to share the technology with other countries. In July 2014, witnessed by Chairman Xi Jinping of China and President Dilma Rousseff of Brazil, the chairman of the SGCC Mr. Liu Zhenya and president of Brazil's Eletrobras Mr. José da Costa Carvalho Neto signed the "UHV power transmission project cooperation agreement". It is reported that this is SGCC's first overseas bid for UHV DC transmission project, marking the Chinese UHV technology 'going out' a major breakthrough. SGCC's going out policy will benefit the Group's export of UHV wires and EHV cables.

Apart from UHV and EHV products, the Group has also developed other high-end products. Zhongmei Cable, which was acquired by the Group in July 2013, is the expert in the production of rubber cables. Zhongmei Cable's insulating material for rubber cables is unique as it is made from ingredient with secret formula. Zhongmei Cable's rubber cables have the characteristic of high flexibility and be able to ensure stable power transmission even in high-temperature and tough environment. In the past, Zhongmei Cable's rubber cables were widely used in coal mining industry. With Zhongmei Cable continuous research and development, its rubber cables can also be used in marine engineering, ship-building and wind turbines.

Another new application for the rubber cable is for the electric vehicles (EV) and its charging facilities. The use of EV is also a mean to tackle the air pollution problem. However, the prerequisite for the development of EV is to have sufficient charging facilities. SGCC now has built 400 charging stations and 20,000 charging piles. It is expected that the number of charging stations will reach 20,000 by 2020. In March 2014, SGCC allowed private capital to invest in the charging facilities, and hence promoted the rapid growth of EV charging facilities. The development of EV certainly will boost the consumption of electricity. Electricity consumption per capita will increase which will drive the upgrade of the power distribution network and expedite the use of EHV cables. The Group has been well-positioned for the robust demand of EHV cables.

Merger and acquisition will be another growth driver for the Group. The Group will continue to seek merger and acquisition opportunities which can bring in new product offerings, new technologies and new customers to the Group. Being a listed company in HK, the Group is more flexible in merger and acquisition overseas as compared with its peers. The Group may consider acquiring entities located in countries with fast-growing potential such as South Africa and emerging countries in Southeast Asia.

Chairman's Statement

The Chinese economy is expected to maintain steady growth in the second half of 2014. To maintain growth, the Central Government will use directional and micro stimulus. Among them, two important policies have great impact to the wire and cable industry. The first one is the acceleration of construction of railways. China Railway Corporation has uplifted the capital expenditure investment in railway three times already in 2014 from its initial budget of RMB630 billion to RMB800 billion. Moreover, Railway development fund will soon be set up according to the Railway Development Fund Management Measures (鐵路發展基金管理辦法). Such fund allows private capital to participate in the construction and operation of railways, which broadens the sources of capital in a very great extent. Another area with policies support is the transformation of shantytowns. The Chinese National Development bank has already secured RMB1,000 billion from the People's Bank of China for the transformation of shantytowns of 47 million families. Such fund will accelerate the construction of affordable housing and lead to increasing demand for the related wire and cable products which the Group has been selling.

The Group is very optimistic to its performance in the second half of 2014. The Group will deploy more resources in research and development to enhance its high-end product offerings and in particular on UHV wires and EHV cables. The Group is confident that its market share will increase and its annual turnover will grow and reach a higher record.

Acknowledgement

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

Rui Fubin
Chairman and Executive Director
Hong Kong, 11 August 2014

Corporate Information

Executive Directors

Rui Fubin *(Chairman and Chairman of the Corporate Governance Committee)*
Chu Hui *(Chief executive officer)*
Xia Yafang *(Executive vice-president)*
Jiang Yongwei *(Vice-president)*
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
Level 22 Hopewell Centre
183 Queen's Road East, Wanchai
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

Stock Code

1366

Website

www.jiangnangroup.com

Management Discussion and Analysis

Overall Performance

For the six-month period ended 30 June 2014, the Group's turnover for the period recorded RMB3,343.4 million, representing an increase of approximately 55.4% as compared with the same period in 2013 and profit for the period attributable to owners of the Company amounted to RMB247.9 million, representing an increase of approximately 65.9% as compared with the same period in 2013. The increase in the profit attributable to owners of the Company for the period under review was mainly attributable to increase in turnover of the Group as a result of its organic growth in business as well as the result contributed by a wholly-owned subsidiary of the Company acquired by the Group in July 2013. The Group's gross profit margin for the six-month period ended 30 June 2014 decreased to approximately 15.8% (2013: 16.0%). As compared to the gross profit margin for the year ended 31 December 2013 of 15.4%, the gross profit margin for the six-month period ended 30 June 2014 had increased. Basic earnings per share for the six-month period ended 30 June 2014 was RMB8.06 cents (2013: RMB4.86 cents), representing an increase of approximately 65.8%.

Market and Business Review

During the period under review, London Metal Exchange Limited ("LME") prices of copper fluctuated in the range of USD6,435 to USD7,439 per tonne with an average of approximately USD6,912 per tonne while LME prices of copper for the six-month period ended 30 June 2013 were trading on average of USD7,539 per tonne. Average LME prices for aluminium for the six-month period ended 30 June 2014 were trading at approximately USD1,753 per tonne while average LME prices for aluminium during the six-month period ended 30 June 2013 were trading at approximately USD1,918 per tonne. Both average prices of copper and aluminium for the period under review were lower than the same period in 2013.

The decrease in copper and aluminium prices as compared with the same period in 2013 has a negative impact to the Group's turnover. However, the Group was able to overcome the impact due to decrease in copper and aluminium prices on the average selling price of the Group's product by increasing the Group's sales volume for all of the Group's product segments during the period under review.

Turnover

Sales of power cables, the Group's principal products during the six-month period ended 30 June 2014, have recorded substantial growth with turnover of RMB2,165.0 million, an increase of 40.2% (six-month period ended 30 June 2013: RMB1,543.7 million) and accounting for approximately 64.8% of the Group's total turnover for the period under review. The sales volume for power cables increased from 22,779 km for the six-month period ended 30 June 2013 to 33,033 km for the six-month period ended 30 June 2014 or an increase of approximately 45.0%. The average selling price of power cables dropped from RMB67,962.5 per km for the six-month period ended 30 June 2013 to approximately RMB65,539.8 per km for the six-month period ended 30 June 2014 which was mainly attributable to the decrease in copper and aluminum prices in 2014.

Sales of wires and cables for electrical equipment for the six-month period ended 30 June 2014 also recorded growth with turnover of RMB653.4 million, an increase of 22.8% (for the six-month period ended 30 June 2013 of RMB531.9 million) and accounting for approximately 19.5% of the Group's total turnover for the period under review. The sales volume for wires and cables for electrical equipment increased from 269,026 km for the six-month period ended 30 June 2013 to 352,091 km for the six-month period ended 30 June 2014 or an increase of approximately 30.9%. The average selling price of wires and cables for electrical equipment dropped from RMB1,977.2 per km for the six-month period ended 30 June 2013 to approximately RMB1,855.7 per km for the six-month period ended 30 June 2014 which was mainly attributable to the decrease in prices of raw materials i.e. copper and aluminum in 2014.

Management Discussion and Analysis

Sales of bare wires also recorded growth during the six-month period ended 30 June 2014 with turnover of RMB211.1 million, an increase of 180.4% (2013 of RMB75.3 million) and accounting for approximately 6.3% of the Group's total turnover for the period under review. The sales volume for bare wires increased from 8,122 tonnes for the six-month period ended 30 June 2013 to 16,901 tonnes for the six-month period ended 30 June 2014 or an increase of approximately 108.1%. The increase in sales volume of bare wires was mainly attributable to the increase in sales of base wires (including ultra-high voltage ("UHV") wires) to grid corporations in China and to overseas customers during the period under review.

Sales of rubber cables for the six-month period ended 30 June 2014 reached RMB313.9 million (2013: nil). The sales volume of rubber cables achieved 16,953 km for the period under review. The increase of turnover of rubber cables was contributed by the turnover of Jiangsu Zhongmei Cable Co., Ltd. ("Zhongmei Cable"), the principal subsidiary of Jiangsu Zengyang Investment Company Limited ("Jiangsu Zengyang") which the Group acquired in July 2013.

Turnover by geographical markets

The People's Republic of China ("PRC") market remains the Group's key market. Sales to the PRC market for the six-month period ended 30 June 2014 increased by approximately 56.1% to RMB3,151.4 million and accounted for approximately 94.3% of total turnover, the increase was primarily due to increase in sales volume of the Group's different product lines as a result of increase in market demand driven by the grid corporations in China and some of the Group's customers with long term relationship.

Overseas markets revenue contribution improved for the period under review. Sales to South Africa increased approximately 63.0% as a result of increase in orders from Eskom Holdings Limited during the period under review as compared to the same period in 2013. Sales to Singapore increased by 33.1%, to RMB110.4 million for the six-month period ended 30 June 2014. The increase was attributable to stronger demand from one of the Group's major customers, Power Works Pte Limited.

Cost of goods sold

Cost of goods sold composes of cost of raw materials, production costs and direct labour costs. Cost of raw materials accounted for 96.0% of cost of goods sold for the six-month period ended 30 June 2014, of which copper and aluminium are the major raw materials accounting for 80.1% of cost of goods sold for the period under review. Direct labour costs remained stable and accounted for 1.0% of total cost of goods sold for the period under review. The balance of 3.0% of the cost of goods sold for the period under review was attributable to production costs which mainly consists of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs.

Gross profit and gross profit margin

The gross profit increased by RMB186.3 million, or approximately 54.2%, from RMB343.4 million for the six-month period ended 30 June 2013 to RMB529.7 million for the six-month period ended 30 June 2014. Gross profit margin slightly decreased from approximately 16.0% for the six-month period ended 30 June 2013 to approximately 15.8% for the six-month period ended 30 June 2014. As compared to the gross profit margin for the year ended 31 December 2013 of 15.4%, the gross profit margin for the six-month period ended 30 June 2014 as compared with the whole year in 2013 poked up as a result of increase in sale of high voltage ("HV") cables, extra-high voltage ("EHV") cables, ultra-high voltage ("UHV") wires and rubber cables. The increase in gross profit is in line with the increase in turnover.

Management Discussion and Analysis

Profit for the period attributable to owners of the Company

Profit for the period attributable to owners of the Company for the six-month period ended 30 June 2014 increased by approximately 65.9% from RMB149.4 million for the six-month period ended 30 June 2013 to RMB247.9 million. The increase was due to the increase in turnover and also cost savings resulting from post-acquisition integration i.e. the Group's acquisition of Jiangsu Zengyang and its subsidiaries.

Selling and distribution costs

Selling and distribution costs mainly represent salary and welfare expense for employees involved in selling and distribution activities, transportation costs for delivery of products to customers and other selling expenses, including marketing expenses, advertising and promotion expenses and other miscellaneous expenses.

The selling and distribution costs increased by RMB22.7 million, or approximately 52.8%, from RMB43.0 million for the six-month period ended 30 June 2013 to RMB65.7 million for the six-month period ended 30 June 2014. The increase in selling and distribution costs was mainly due to inclusion of costs incurred by Jiangsu Zengyang and its subsidiaries ("Zengyang Investment Group") which the Group acquired in July 2013. Selling and distribution costs as percentage of turnover remained stable at approximately 2.0% and 1.97% for the six-month period ended 30 June 2013 and 30 June 2014 respectively.

Administrative expenses

Administrative expenses increased by RMB21.3 million, or approximately 48.5%, from RMB44.0 million for the six-month period ended 30 June 2013 to RMB65.3 million for the six-month period ended 30 June 2014, mainly due to increase in technology development expense incurred during the period under review and the inclusion of the costs incurred by Zengyang Investment Group which the Group acquired in July 2013.

Other expenses

Other expenses which mainly composed of research and development cost increased by approximately 35.8% from RMB7.2 million for the six-month period ended 30 June 2013 to RMB9.8 million for the six-month period ended 30 June 2014. The increase represented increase in spending on research and development to cope with the need of the enlarged Group after the acquisition of Zengyang Investment Group by the Group in July 2013.

Finance Costs

Finance costs increased by approximately 34.9% from RMB83.3 million for the six-month period ended 30 June 2013 to RMB112.3 million for the six-month period ended 30 June 2014 mainly due to the increase in bank borrowings required for financing the enlarged business operations after the acquisition of Jiangsu Zengyang in July 2013. Finance costs as percentage of turnover reduced from approximately 3.9% for the six-month period ended 30 June 2013 to 3.4% for the six-month period ended 30 June 2014 as a result of the enlarged Group after the acquisition which allows the Group to enjoy a lower average borrowing interest rate.

Taxation

The Group's taxation increased by RMB21.5 million, or approximately 66.7%, from RMB32.3 million for the six-month period ended 30 June 2013 to RMB53.8 million for the six-month period ended 30 June 2014. This increase in taxation was in line with the increase in taxable income and also due to the inclusion of deferred taxation for the final dividend distribution for the year ended 31 December 2013.

Management Discussion and Analysis

Financial Position and Liquidity

As at 30 June 2014, total assets of the Group amounted to RMB8,142.2 million (31 December 2013: RMB7,557.3 million).

Non-current assets decreased by approximately 3.2% from RMB896.5 million as at 31 December 2013 to RMB867.7 million as at 30 June 2014. The decrease was mainly due to depreciation of property, plant and machinery and repayment from an associate.

Current assets increased by approximately 9.2% from RMB6,660.8 million as at 31 December 2013 to RMB7,274.6 million mainly due to higher inventories and trade receivables as a result of increase in sales during the period under review.

Total interest-bearing bank borrowings increased by approximately 8.9% from RMB2,922.1 million as at 31 December 2013 to RMB3,181.5 million as at 30 June 2014. Of the Group's total bank loans and other borrowings as at 30 June 2014, 98.3% of short-term borrowings were made by the Group's subsidiaries in China. These loans were not guaranteed by the Company.

Equity attributable to the equity holders of the Company was RMB2,454.0 million as at 30 June 2014, approximately 7.4% higher than the same as at 31 December 2013 of RMB2,285.7 million.

As at 30 June 2014, 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 RMB1,268.6 million over total equity of RMB2,454.0 million as at 30 June 2014, increased from approximately 18.9% (as at 31 December 2013) to approximately 51.7%. As compared with the net-debt-to equity ratio of 58.8% as at 30 June 2013, the net-debt-to equity of the Group as at 30 June 2014 had improved.

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 2014, the Group disposed of property, plant and equipment with a carrying amount of RMB116,000 (2013: RMB8,490,000) at nil consideration.

As at 30 June 2014, the Group pledged certain of its buildings and machinery with an aggregate carrying value of RMB137,713,000 and RMB123,303,000 respectively (31 December 2013: RMB120,944,000 and RMB73,108,000 respectively) to certain banks to secure credit facilities granted to the Group.

During the six-month period ended 30 June 2014, no interest expense has been capitalised (2013: RMB517,000).

Contingent Liabilities

As at 30 June 2014, neither the Group nor the Company had any significant contingent liabilities.

Issue of warrants

On 22 April 2014, the Company issued 150,000,000 warrants at HK$0.01 per warrant to six subscribers. The warrants entitle the holders thereof to subscribe in cash up to an aggregate amount of RMB204,000,000 (or HK$255,000,000) for shares in the Company, and each warrant will carry the right to subscribe for one share of the Company at an initial subscription price of RMB1.36 (or HK$1.70) per share for a period of two years commencing from 23 April 2014. Details of such issue are disclosed in the Company's announcements dated 9 April 2014 and 23 April 2014.

Interim Dividend and Closure of Register of Members

Interim Dividend

The Board declared an interim dividend of HK2.5 cents per share for the six-month period ended 30 June 2014 (2013: HK1.4 cents) to the shareholders whose names appear on the register of members of the Company on 12 September 2014. The interim dividend will be paid on or about 15 October 2014.

Closure of Register of Members

For the purpose of determining the entitlement to the interim dividend for the six-month period ended 30 June 2014, the register of members of the Company will be closed from 10 September 2014 to 12 September 2014, 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-month period ended 30 June 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 8 September 2014.

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 2014 together with the unaudited comparative figures for the six-month period ended 30 June 2013.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended 30 June 2014

	Notes	Six-month period ended 30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Turnover	3	**3,343,405**	2,150,883
Cost of goods sold		**(2,813,710)**	(1,807,454)
Gross profit		**529,695**	343,429
Other income	4	**28,459**	15,593
Selling and distribution costs		**(65,721)**	(42,997)
Administrative expenses		**(65,286)**	(43,967)
Other expenses		**(9,752)**	(7,180)
Other gains and losses		**(1,621)**	92
Share of loss of associates		**(1,760)**	–
Finance costs		**(112,343)**	(83,297)
Profit before taxation		**301,671**	181,673
Taxation	5	**(53,802)**	(32,270)
Profit for the period attributable to owners of the Company	6	**247,869**	149,403
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of a foreign operation		**503**	(6,231)
Total comprehensive income for the period attributable to owners of the Company		**248,372**	143,172
Earnings per share — Basic	8	**8.06 cents**	4.86 cents
— Diluted		**8.05 cents**	4.86 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	616,224	632,910
Land use rights		205,253	207,706
Interests in associates		15,026	15,188
Loan to an associate		21,196	30,369
Available-for-sale investment		2,500	2,500
Deferred tax asset		6,665	6,559
Deposit paid for acquisition of property, plant and equipment		789	1,260
		867,653	896,492
Current assets			
Inventories		2,176,745	1,842,221
Trade and other receivables	10	3,184,991	2,328,373
Pledged bank deposits		1,058,021	807,642
Bank balances and cash		854,833	1,682,558
		7,274,590	6,660,794
Current liabilities			
Trade and other payables	11	2,326,061	2,223,165
Amount due to directors		60,790	3,701
Bank borrowings	12	3,181,473	2,922,136
Taxation payable		47,858	54,376
		5,616,182	5,203,378
Net current assets		1,658,408	1,457,416
Total assets less current liabilities		2,526,061	2,353,908
Non-current liabilities			
Government grants		4,204	4,447
Deferred tax liabilities		67,867	63,805
		72,071	68,252
		2,453,990	2,285,656
Capital and reserves			
Share Capital	13	24,964	24,964
Reserves		2,429,026	2,260,692
		2,453,990	2,285,656

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2014

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Warrant reserve RMB'000	Non-distributable reserve RMB'000 (Note b)	Statutory reserve RMB'000 (Note c)	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
As at 31 December 2012 (audited)	24,964	345,081	148,696	–	77,351	138,031	(8,233)	1,154,907	1,880,797
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	(6,231)	–	(6,231)
Profit for the period	–	–	–	–	–	–	–	149,403	149,403
Total comprehensive (expense) income for the period	–	–	–	–	–	–	(6,231)	149,403	143,172
2012 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
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	(4,656)	–	(4,656)
Profit for the period	–	–	–	–	–	–	–	354,120	354,120
Total comprehensive income for the period	–	–	–	–	–	–	(4,656)	354,120	349,464
2013 interim dividends recognised as distribution	–	–	–	–	–	–	–	(30,133)	(30,133)
Transfers	–	–	–	–	–	37,893	–	(37,893)	–
As at 31 December 2013 (audited)	**24,964**	**345,081**	**148,696**	**–**	**77,351**	**192,059**	**(19,120)**	**1,516,625**	**2,285,656**
Exchange differences arising from translation of a foreign operation	**–**	**–**	**–**	**–**	**–**	**–**	**503**	**–**	**503**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**247,869**	**247,869**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**503**	**247,869**	**248,372**
Issue of warrants of the Company (Note 13)	**–**	**–**	**–**	**1,200**	**–**	**–**	**–**	**–**	**1,200**
2013 final dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(81,238)**	**(81,238)**
Transfers	**–**	**–**	**–**	**–**	**–**	**28,921**	**–**	**(28,921)**	**–**
As at 30 June 2014 (unaudited)	**24,964**	**345,081**	**148,696**	**1,200**	**77,351**	**220,980**	**(18,617)**	**1,654,335**	**2,453,990**

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

(b) The non-distributable reserve represents capitalisation of retained profit of Wuxi Jiangnan Cable Co., Ltd. ("Jiangnan Cable") for capital re-investment Jiangnan Cable in 2007.

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries 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 2014

	Six-month period ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash used in operations	**(748,991)**	(938,351)
PRC income tax paid	**(49,700)**	(28,204)
Net cash used in operating activities	**(798,691)**	(966,555)
Investing activities		
Interest received	**14,792**	12,680
Purchases of property, plant and equipment	**(7,913)**	(4,509)
Proceeds from disposal of property, plant and equipment	**–**	8,582
Deposits paid for acquisition of property, plant and equipment	**–**	(7,340)
Advance to an associate	**(3,487)**	–
Repayment from an associate	**12,167**	–
Interests in associates	**–**	(11,940)
Release of pledged bank deposits	**874,747**	766,837
New pledged bank deposits raised	**(1,125,126)**	(711,140)
Net cash (used in) generated from investing activities	**(234,820)**	53,170
Financing activities		
Interest paid	**(112,343)**	(83,297)
New bank borrowings raised	**2,198,916**	1,202,950
Repayment of bank borrowings	**(1,939,579)**	(1,025,000)
Advances from directors	**57,089**	845
Dividend paid	**–**	(57,648)
Proceeds from issue of warrants	**1,200**	–
Net cash generated from financing activities	**205,283**	37,850
Net decrease in cash and cash equivalents	**(828,228)**	(875,535)
Cash and cash equivalents at beginning of the period	**1,682,558**	1,137,741
Effect of foreign exchange rate changes	**503**	(6,178)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**854,833**	256,028

Notes to the Condensed Consolidated Financial Statements

1. Basic of Preparation

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

2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported 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 executive directors of the Company ("Executive Directors") who reviews the business of the following reportable operating segments by products:

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

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the Executive 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 to external customers 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 Executive 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 Executive Directors for the purposes of resource allocation and assessment of segment performance.

The information of segment results are as follows:

	Six-month period ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Revenue		
— power cables	**2,164,970**	1,543,661
— wires and cables for electrical equipment	**653,388**	531,919
— bare wires	**211,116**	75,303
— rubber cables	**313,931**	–
	3,343,405	2,150,883
Cost of goods sold		
— power cables	**1,796,133**	1,269,978
— wires and cables for electrical equipment	**586,935**	469,105
— bare wires	**188,560**	68,371
— rubber cables	**242,082**	–
	2,813,710	1,807,454
Segment result		
— power cables	**368,837**	273,683
— wires and cables for electrical equipment	**66,453**	62,814
— bare wires	**22,556**	6,932
— rubber cables	**71,849**	–
	529,695	343,429

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	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment result	**529,695**	343,429
Unallocated corporate incomes	**28,459**	15,685
Unallocated corporate expenses	**(144,140)**	(94,144)
Finance costs	**(112,343)**	(83,297)
Profit before taxation	**301,671**	181,673

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	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Turnover		
— PRC (country of domicile)	**3,151,447**	2,019,026
— Singapore	**110,358**	82,915
— South Africa	**62,365**	38,258
— United States	**12,128**	2,374
— South America	**7,107**	8,310
	3,343,405	2,150,883

The Group mainly operates in two principal geographical areas — the PRC (excluding Hong Kong) and South Africa. As at 30 June 2014, approximately 96% (30 June 2013: 92.1%) 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	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	**22,274**	12,680
Government subsidies (Note)	**3,033**	914
Others	**3,152**	1,999
	28,459	15,593

Note: Included in the amount is RMB423,500 (2013: RMB456,500) representing deferred income on government subsidies in relation to capital expenditure on property, plant and equipment recognised in this period over the useful lives of the related assets. 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, all of them had no specific conditions attached.

5. Taxation

	Six-month period ended	
	30.6.2014	30.6.2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**43,763**	28,204
Hong Kong Profits Tax	**14**	–
Other jurisdictions income tax	**–**	32
Deferred taxation	**10,025**	4,034
Taxation charge for the period	**53,802**	32,270

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onward. Pursuant to the approval published on the website of the Yixing Provincial Commission of Science and Technology, 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% (2013: 28%) of the assessable profit during the period.

Hong Kong Profits Tax has been provided in the condensed consolidated financial statements at the rate prevailing in Hong Kong. Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the assessable profit during the period.

Notes to the Condensed Consolidated Financial Statements

6. Profit for the period

	Six-month period ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Profit has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**24,953**	18,911
Loss/(gain) on disposal of property, plant and equipment	**116**	(92)
Research and development costs (included in other expenses)	**9,752**	7,180
Minimum lease payment under operating lease in respect of property	**2,030**	1,378
Operating lease rentals in respect of land use rights	**2,411**	1,027
Finance Costs	**112,343**	83,297

7. Dividends

During the current interim period, a final dividend of HK cents 3.3 per share in respect of the year ended 31 December 2013 (2013: HK cents 2.2 per share in respect of the year ended 31 December 2012) was declared to the owners of the Company. The aggregate amount of final dividend declared in the current interim period amounted to HK$101,547,600 (2013: HK$67,698,400).

Subsequent to the end of the current interim period, the Board declared an interim dividend of HK2.5 cents per share for the six months ended 30 June 2014 (2013: HK1.4 cents) to the shareholders whose names appear on the register of members of the Company on 12 September 2014. The interim dividend will be paid on or about 15 October 2014.

8. Earnings per Share

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

	Six-month period ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**247,869**	149,403
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,077,200,000**	3,077,200,000
Effect of dilutive potential ordinary shares: Warrants	**971,708**	–
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**3,078,171,708**	3,077,200,000

The weighted average number of ordinary shares for the purpose of diluted earnings per share has been adjusted for the issue of warrants that took place on 23 April 2014.

Notes to the Condensed Consolidated Financial Statements

9. Property, Plant and Equipment

During the six-month period ended 30 June 2014, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Buildings	**–**	156
Plant and machinery	**1,965**	5,597
Furniture, fixtures and equipment	**651**	907
Motor Vehicles	**370**	665
Construction in progress	**8,007**	5,730
Total	**10,993**	13,055

During the six-month period ended 30 June 2014, the Group disposed of property, plant and equipment with a carrying amount of RMB116,000 (2013: RMB8,490,000) at nil consideration.

As at 30 June 2014, the Group pledged certain of its buildings and machinery with an aggregate carrying value of RMB137,713,000 and RMB123,303,000 respectively (31 December 2013: RMB120,944,000 and RMB73,108,000 respectively) to certain banks to secure credit facilities granted to the Group.

During the period ended 30 June 2014, no interest expense has been capitalised (2013: RMB517,000).

10. Trade and Other Receivables

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade receivables, net	**2,955,813**	2,005,593
Bills receivables	**90,528**	255,017
	3,046,341	2,260,610
Current portion of land use rights	**5,281**	5,281
Deposits paid to suppliers	**14,362**	4,490
Staff advances	**3,349**	5,549
Prepayments	**51,212**	6,946
Tender deposits	**52,818**	38,411
VAT tax receivables	**114**	983
Other receivables	**11,514**	6,103
	3,184,991	2,328,373

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 its 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:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Age		
0 to 90 days	**1,754,792**	1,651,488
91 to 180 days	**700,791**	460,177
181 to 365 days	**590,758**	84,824
Over 365 days	**–**	64,121
	3,046,341	2,260,610

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of RMB1,443,340,000 as at 30 June 2014 (31 December 2013: RMB786,122,000), 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 2014.

11. Trade and Other Payables

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade payables	**362,857**	601,521
Bills payables	**1,481,600**	1,136,843
	1,844,457	1,738,364
Payroll and welfare accruals	**25,124**	55,159
Receipts in advance from customers	**202,126**	230,245
Consideration payable	**77,925**	77,925
Construction work payables	**17,694**	12,300
Other tax payables	**25,842**	33,502
Other deposits	**3,290**	770
Dividend payable	**81,238**	–
Other payables and accruals	**48,365**	74,900
	2,326,061	2,223,165

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:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Age		
0 to 90 days	**1,703,734**	1,549,514
91 to 180 days	**109,176**	178,916
181 to 365 days	**28,180**	6,131
Over 1 year	**3,367**	3,803
	1,844,457	1,738,364

12. Bank Borrowings

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Secured	**313,456**	442,948
Secured and guaranteed by a director of the Company	**–**	32,000
Secured and guaranteed by independent third parties	**45,500**	60,000
Secured and guaranteed by inter-group companies	**60,000**	–
Unsecured	**–**	91,000
Unsecured and guaranteed by a director of the Company	**46,800**	242,800
Unsecured and guaranteed by inter-group companies	**648,237**	–
Unsecured and guaranteed by independent third parties	**2,067,480**	2,053,388
	3,181,473	2,922,136
The bank borrowings comprise:		
Variable rate borrowings	**923,598**	377,833
Fixed rate borrowings	**2,058,799**	2,528,308
Discounted bills with recourse	**199,076**	15,995
	3,181,473	2,922,136

All bank borrowings are repayable within one year at 30 June 2014 and 31 December 2013.

Notes to the Condensed Consolidated Financial Statements

12. Bank Borrowings *(continued)*

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

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
United States dollars	**184,384**	150,741
Singapore dollars	**69,453**	15,995

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:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
For bank borrowings:		
— property, plant and equipment	**261,016**	194,052
— land use rights	**210,534**	175,439
— inventories	**408,340**	398,340
For bank borrowings and bills payables		
— Pledged bank deposits	**1,058,021**	807,642
	1,937,911	1,575,473

Notes to the Condensed Consolidated Financial Statements

13. Share Capital

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

	Number of shares	Amount in HK$	Shown in the financial statements as RMB'000
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2013, 31 December 2013 and 30 June 2014 (unaudited)	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 30 June 2014 (unaudited)	3,077,200,000	30,772,000	24,964

14. Capital Commitments

	30.6.2014 RMB'000 (unaudited)	31.12.2013 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	**13,785**	13,927

15. Contingent Liabilities

As at 30 June 2014, 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 “Amount due to directors” and “Loan to an associate”, in note 12 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	
	30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Basic salaries and allowances	**1,625**	1,540
Bonus	**–**	–
Retirement benefits scheme contributions	**18**	12
	1,643	1,552

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

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 2014, 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 Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited ("**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 *(Note)*	1,696,800,000 ordinary shares	55.14%
Mr. Chu Hui	The Company	Beneficial owner	160,000,000 ordinary shares	5.2%
Mr. Rui Fubin	Power Heritage Group Limited	Beneficial owner	83 ordinary shares	83%

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 2014.

Interests of Substantial Shareholders

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

As at 30 June 2014, 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	1,696,800,000 *(Note 1)*	55.14%
Ms. Shi Mingxian	Interest of spouse *(Note 2)*	1,696,800,000	55.14%

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 Group Limited.

(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.

Other than disclosed above, the Company has not been notified of any persons who, as at 30 June 2014, 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 2014, the Group had a total of 2,880 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 RMB632.9 million as at 31 December 2013 to RMB616.2 million as at 30 June 2014, representing a decrease of approximately 2.6%. The decrease was mainly attributed to depreciation of property, plant and equipment.

Purchase, Sale or Redemption

For the six months ended 30 June 2014 ("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 Listing Rules (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 during the Relevant Period.

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

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and has reviewed the unaudited interim financial statements of the Group for the six-month period ended 30 June 2014 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.

Corporate Governance Code

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

Pursuant to code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, the Company did not have a separate chairman and chief executive officer during the Relevant Period, with Mr. Rui Fubin performed these two roles during the Relevant Period. The Board believed that vesting both the roles of chairman and chief executive officer in the same person had the benefit of ensuring consistent leadership within the Group and enabled more effective and efficient overall strategic planning for the Group. The Board considered that the balance of power and authority for the present arrangement would not be impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. The arrangement would enable the Company to make and implement decisions promptly and efficiently. Subsequent to the Relevant Period, on 7 July 2014, Mr. Rui Fubin resigned as the chief executive officer of the Company and Mr. Chui Hui was appointed as the chief executive officer of the Company.

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 2014, 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 cares 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 times 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, the Group engaged China Quality Certification Centre to carry out an annual independent third party external examination to the Group's greenhouse gas emission every year. The examination result revealed that on 31 July 2014 the Group's wholly-owned subsidiary Wuxi Jiangnan Cable Co., Ltd has carbon emission complied with the guarantee level of ISO 14064-1.

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 the Group's 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 2014, 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.