JIANGNAN GROUP LIMITED
江 南 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 16.8% to RMB3,904.6 million (2014: RMB3,343.4 million)
- Gross profit increased by approximately 15.9% to RMB614.1 million (2014: RMB529.7 million)
- Profit for the period attributable to owners of the Company increased by approximately 16.3% to RMB288.2 million (2014: RMB247.9 million)
- Basic earnings per share increased by approximately 2.5% to RMB8.26 cents (2014: RMB8.06 cents)
- The Board declared an interim dividend of HK2.5 cents per share (2014: HK2.5 cents)

The board (the "Board") of directors (the "Directors") of Jiangnan Group Limited ("Jiangnan" or the "Company") are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2015 together with the unaudited comparative figures for the six-month period ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2015

		Six-month period ended	
		30.6.2015	30.6.2014
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3*	**3,904,642**	3,343,405
Cost of goods sold		**(3,290,579)**	(2,813,710)
Gross profit		**614,063**	529,695
Other income	*4*	**30,932**	28,459
Selling and distribution costs		**(74,576)**	(65,721)
Administrative expenses		**(86,433)**	(65,286)
Other expenses		**(7,124)**	(9,752)
Other losses		**(62)**	(1,621)
Share of loss of associates		**(446)**	(1,760)
Finance costs		**(124,391)**	(112,343)
Profit before taxation		**351,963**	301,671
Taxation	*5*	**(63,781)**	(53,802)
Profit for the period attributable to owners of the Company	*6*	**288,182**	247,869
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(2,201)**	503
Total comprehensive income for the period attributable to owners of the Company		**285,981**	248,372
Earnings per share — Basic	*8*	**RMB8.26 cents**	RMB8.06 cents
— Diluted		**RMB8.20 cents**	RMB8.05 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30.6.2015 RMB'000 (unaudited)	31.12.2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**800,090**	601,990
Land use rights		**261,480**	203,939
Interests in associates		**14,299**	14,650
Loan to an associate		**24,117**	25,179
Available-for-sale investments		**7,090**	2,500
Deferred tax assets		**4,777**	5,072
Deposits paid for acquisition of property, plant and equipment		**24,195**	16,188
Goodwill	*14*	**109,606**	–
		1,245,654	869,518
Current assets			
Inventories		**3,205,241**	2,168,635
Trade and other receivables	*10*	**3,989,729**	2,708,697
Pledged bank deposits		**1,720,333**	1,304,504
Bank balances and cash		**889,361**	1,666,153
		9,804,664	7,847,989
Current liabilities			
Trade and other payables	*11*	**2,846,893**	2,409,990
Amounts due to directors		**5,528**	4,000
Bank borrowings	*12*	**3,935,258**	2,922,221
Taxation payable		**67,923**	78,364
Obligation under a finance lease		**215**	210
Contingent considerations payable		**62,300**	–
		6,918,117	5,414,785
Net current assets		**2,886,547**	2,433,204
Total assets less current liabilities		**4,132,201**	3,302,722
Non-current liabilities			
Government grants		**8,390**	10,187
Deferred tax liabilities		**89,847**	62,297
Obligation under a finance lease		**264**	372
		98,501	72,856
		4,033,700	3,229,866
Capital and reserves			
Share capital	*13*	**29,985**	27,364
Reserves		**4,003,715**	3,202,502
		4,033,700	3,229,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS 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 for contingent considerations payable, which is measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

The application of the above amendments 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.

In addition, the Group has applied the following accounting policy for goodwill during the current interim period.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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 review the business of the following reportable operating segments by products:

- Power cables
- Wires and cables for electrical equipment
- Bare wires
- Special cables (including rubber cables, flexible fire proof cables and others)

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

Turnover represents the fair value of the consideration received and receivable for goods sold 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 losses, other income and expenses, selling and distribution costs, administrative expenses, finance costs and share of loss of associates 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	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
— power cables	**2,687,042**	2,164,970
— wires and cables for electrical equipment	**726,764**	653,388
— bare wires	**256,242**	211,116
— special cables	**234,594**	313,931
	3,904,642	3,343,405
Cost of goods sold		
— power cables	**2,243,269**	1,796,133
— wires and cables for electrical equipment	**639,740**	586,935
— bare wires	**227,551**	188,560
— special cables	**180,019**	242,082
	3,290,579	2,813,710
Segment result		
— power cables	**443,773**	368,837
— wires and cables for electrical equipment	**87,024**	66,453
— bare wires	**28,691**	22,556
— special cables	**54,575**	71,849
	614,063	529,695

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

	Six-month period ended	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment result	**614,063**	529,695
Unallocated corporate income	**30,932**	28,459
Unallocated corporate expenses	**(168,641)**	(144,140)
Finance costs	**(124,391)**	(112,343)
Profit before taxation	**351,963**	301,671

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	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Turnover		
— People's Republic of China (the "PRC") (country of domicile)	**3,732,668**	3,151,447
— Singapore	**69,379**	110,358
— Vietnam	**53,469**	–
— South Africa	**32,947**	62,365
— South America	**13,485**	7,107
— United States	**1,823**	12,128
— Australia	**853**	–
— Pakistan	**18**	–
	3,904,642	3,343,405

The Group mainly operates in two principal geographical areas — the PRC (excluding Hong Kong) and South Africa. As at 30 June 2015, approximately 97.6% (30 June 2014: 96.0%) of the Group's non-current assets were located in the PRC (the place of domicile).

Information about major customers

Turnover from customers of the corresponding periods contributing over 10% of the total turnover of the Group is as follows:

	Six-month period ended	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A	**628,695**	N/A[1]

[1] The corresponding turnover did not contribute over 10% of the total turnover of the Group.

4. OTHER INCOME

	Six-month period ended	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**25,067**	22,274
Government subsidies *(Note)*	**2,956**	3,033
Others	**2,909**	3,152
	30,932	28,459

Note: Included in the amount are RMB462,000 (2014: RMB423,500) and RMB1,333,000 (2014: nil) 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 and technology research and development projects over the project lives, respectively. The remaining 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	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**58,686**	43,763
Hong Kong Profits Tax	**–**	14
Deferred taxation	**5,095**	10,025
Taxation charge for the period	**63,781**	53,802

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. Certain PRC subsidiaries of the Group were endorsed as a High and New Technology Enterprise and were entitled to a reduced PRC income tax rate of 15%.

Taxation arising in South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax is calculated at 28% (2014: 28%) of the assessable profit during the period.

No provision for Hong Kong Profits Tax is provided in the condensed consolidated financial statements as the Group did not have assessable profit in Hong Kong for the six-month period ended 30 June 2015. Hong Kong Profits Tax is calculated at 16.5% of the assessable profit for the six-month period ended 30 June 2014.

6. PROFIT FOR THE PERIOD

	Six-month period ended	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**32,585**	24,953
Loss on disposal of property, plant and equipment	**62**	116
Research and development costs (included in other expenses)	**6,952**	9,752
Minimum lease payment under operating lease in respect of property	**2,009**	2,030
Operating lease rentals in respect of land use rights	**2,899**	2,411

7. DIVIDENDS

During the current interim period, a final dividend of HK3.7 cents per share in respect of the year ended 31 December 2014 (2014: HK3.3 cents per share in respect of the year ended 31 December 2013) was declared to the owners of the Company. The aggregate amount of final dividend declared in the current interim period amounted to HK$136,088,200 (2014: HK$101,547,600).

Subsequent to the end of the current interim period, the Board declared an interim dividend of HK2.5 cents per share for the six-month period ended 30 June 2015 (2014: HK2.5 cents) to the shareholders whose names appear on the register of members of the Company on 30 September 2015. The interim dividend will be paid on or about 23 October 2015.

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	
	30.6.2015	30.6.2014
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share *(RMB'000)*	**288,182**	247,869
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,487,934,917**	3,077,200,000
Effect of dilutive potential ordinary shares: Warrants	**25,052,857**	971,708
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**3,512,987,774**	3,078,171,708

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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2015, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Plant and machinery	**2,341**	1,965
Furniture, fixtures and equipment	**1,160**	651
Motor Vehicles	**3,092**	370
Construction in progress	**4,282**	8,007
Total	**10,875**	10,993

During the six-month period ended 30 June 2015, the Group disposed of certain property, plant and equipment with an aggregate carrying amounts of approximately RMB879,000 (2014: RMB116,000) for cash proceeds of RMB817,000 (2014: nil), resulting in a loss on disposal of RMB62,000 (2014: RMB116,000).

As at 30 June 2015, the Group pledged certain of its buildings and machinery with an aggregate carrying value of approximately RMB232,351,000 and RMB84,662,000 respectively (31 December 2014: RMB108,936,000 and RMB112,052,000 respectively) to certain banks to secure credit facilities granted to the Group.

10. TRADE AND OTHER RECEIVABLES

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables, net	**3,603,554**	2,395,729
Bills receivables	**184,386**	233,472
	3,787,940	2,629,201
Current portion of land use rights	**6,741**	5,281
Deposits paid to suppliers	**19,982**	7,810
Staff advances	**3,194**	4,933
Prepayments	**46,953**	13,298
Tender deposits	**76,725**	40,737
VAT tax receivables	**13,755**	150
Other receivables	**34,439**	7,287
	3,989,729	2,708,697

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:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**2,235,293**	1,661,286
91 to 180 days	**525,126**	673,807
181 to 365 days	**903,306**	259,001
Over 365 days	**124,215**	35,107
	3,787,940	2,629,201

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately RMB1,629,003,000 as at 30 June 2015 (31 December 2014: RMB1,076,518,000), 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 2015.

11. TRADE AND OTHER PAYABLES

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**655,479**	480,408
Bills payables	**1,671,804**	1,512,183
	2,327,283	1,992,591
Payroll and welfare accruals	**60,087**	69,149
Receipts in advance from customers	**246,805**	244,493
Consideration payable for acquisition of subsidiaries	**66,000**	–
Construction work payables	**12,300**	12,300
Other tax payables	**11,620**	21,357
Other deposits	**32,146**	398
Dividend payable	**581**	–
Other payables and accruals	**90,071**	69,702
	2,846,893	2,409,990

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:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**1,601,961**	1,844,527
91 to 180 days	**706,903**	121,705
181 to 365 days	**12,587**	11,220
Over 1 year	**5,832**	15,139
	2,327,283	1,992,591

12. BANK BORROWINGS

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Secured	**958,934**	576,962
Secured and guaranteed by a director of the Company	**–**	32,000
Secured and guaranteed by independent third parties	**420,000**	427,000
Unsecured	**642,725**	460,669
Unsecured and guaranteed by independent third parties	**1,913,599**	1,425,590
	3,935,258	2,922,221
The bank borrowings comprise:		
Variable rate borrowings	**1,323,717**	634,203
Fixed rate borrowings	**2,544,247**	2,129,800
Discounted bills with recourse	**67,294**	158,218
	3,935,258	2,922,221

All bank borrowings as at 30 June 2015 and 31 December 2014 are repayable within one year.

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

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
United States dollars	**819,614**	187,783

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:

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
For bank borrowings:		
— property, plant and equipment	**317,013**	220,988
— land use rights	**137,455**	171,454
— inventories	**315,000**	315,000
For bank borrowings and bills payables:		
— Pledged bank deposits	**1,720,333**	1,304,504
	2,489,801	2,011,946

13. SHARE CAPITAL

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

	Number of shares	**Amount in**	**Shown in the financial statements as**
		HK$	*RMB'000*
Ordinary shares at HK$0.01 each			
Authorised:			
At 1 January 2014, 31 December 2014 and 30 June 2015 (unaudited)	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2014	3,077,200,000	30,772,000	24,964
Issue of shares *(note a)*	317,950,000	3,179,500	2,515
Shares re-purchased and cancelled *(note b)*	(14,570,000)	(145,700)	(115)
At 31 December 2014 (audited)	3,380,580,000	33,805,800	27,364
Issue of shares *(note c)*	297,480,000	2,974,800	2,381
Issue of shares upon exercise of warrants *(note d)*	30,000,000	300,000	240
At 30 June 2015 (unaudited)	3,708,060,000	37,080,600	29,985

Notes:

(a) On 11 September 2014, the Company entered into a subscription agreement pursuant to which the Company conditionally agreed to allot and issue 317,950,000 shares of HK$0.01 each ("Subscription Shares") to Power Heritage Group Limited and Power Heritage Group Limited conditionally agreed to subscribe for 317,950,000 Subscription Shares in cash at a subscription price of HK$1.95 per Subscription Share. Completion of the subscription took place on 19 September 2014 and the Company received gross proceeds from issue of such Subscription Shares of RMB490,546,000 (approximately HK$620,003,000). Expenses directly incurred for the issue of the Subscription Shares amounting to RMB10,335,000 (approximately HK$13,062,000) were recognised in equity.

(b) During the year ended 31 December 2014, 14,570,000 shares of HK$0.01 each of the Company were re-purchased by the Company at a total consideration of RMB17,757,000 (approximately HK$22,360,000). The re-purchase price was ranging from HK$1.39 to HK$1.62 for each share.

(c) On 29 April 2015, the Company allotted and issued (i) 148,740,000 new shares of the Company to KDG Investment Limited as partial consideration for the acquisition of 100% equity interest in Kai Da Investments Limited; and (ii) 148,740,000 new shares of the Company to Nexus NS Limited as partial consideration for the acquisition of 100% equity interest in New Sun Investments Limited, details of which are set out in the Company's announcements dated 13 April 2015 and 29 April 2015.

(d) On 23 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 (approximately HK$255,000,000) for shares of 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 (approximately HK$1.70) per share for a period of two years commencing from 23 April 2014. On 4 June 2015, the Company issued 20,000,000 shares upon the exercise of the subscription rights attached to the warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$34,000,000 for shares of the Company. On 16 June 2015, the Company issued 10,000,000 shares upon the exercise of the subscription rights attached to the warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$17,000,000 for shares of the Company. As at 30 June 2015, warrants entitling the holders thereof to subscribe in cash up to aggregate amount of HK$204,000,000 for shares of the Company remained outstanding.

14. ACQUISITION OF SUBSIDIARIES

(i) Acquisition of New Sun Investments Limited ("New Sun")

On 29 April 2015, the Group acquired 100% equity interest in New Sun from Nexus NS Limited, an independent third party, for a consideration of approximately RMB382,503,000, which was satisfied by (i) allotment and issue, credited as fully paid, of 148,740,000 ordinary shares of the Company, representing consideration of approximately RMB292,903,000; (ii) RMB58,000,000 in cash; and (iii) subject to adjustment, a maximum amount of RMB34,979,000 payable upon fulfillment of the profit guarantee with fair value of RMB31,600,000 at the date of the acquisition. New Sun is principally engaged in manufacture of and trading in wires and cables and related raw materials in the PRC. The acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB54,831,000. Acquisition-related costs incurred were insignificant and were recognised as expenses in the current interim period, within the other expenses.

Consideration transferred

	RMB'000
Consideration shares issued	292,903
Cash consideration at completion date	20,000
Cash consideration payable *(note a)*	38,000
Contingent consideration payable *(note b)*	31,600
	382,503

Notes:

(a) The maximum amount of RMB38,000,000 shall be settled by the Group in cash on the 10th business day after 31 December 2016 or the date on which all the relevant external guarantees provided by the wholly-owned subsidiary of New Sun in the PRC ("New Sun China") and all the relevant account receivables of New Sun China as set out in the sale and purchase agreement are fully released and collected (whichever is earlier), or such other date as agreed by Nexus NS Limited and the Group in writing.

(b) Based on the sale and purchase agreement, the Group is required to pay a maximum amount of RMB34,979,000 if the audited net operating profit after tax of New Sun China for the year ending 31 December 2015 in accordance with the applicable PRC accounting principles, is equal to or more than RMB51,719,700. RMB31,600,000 represented the fair value of this obligation at the date of the acquisition based on valuation report from an independent qualified professional valuer. The fair value of such contingent consideration amounted to RMB33,000,000 as at 30 June 2015 and has been included in "contingent considerations payable" line item in the condensed consolidated statement of financial position.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	102,505
Land use rights	33,200
Inventories	280,626
Trade and other receivables	198,760
Pledged bank deposits	134,082
Bank balances and cash	4,621
Trade and other payables	(296,397)
Bank borrowings	(115,700)
Taxation payable	(108)
Deferred tax liabilities	(13,917)
	327,672

The trade and other receivables acquired with a fair value of RMB198,760,000 had gross contractual amounts of RMB198,760,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	382,503
Less: net assets acquired	(327,672)
	54,831

Goodwill arose in the acquisition of New Sun because the acquisition has synergetic effect and increases the overall production capacity to cope with the increase in customers' orders. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration at completion date	20,000
Less: Bank balances and cash acquired	(4,621)
Net cash outflow arising on acquisition	15,379

During the six-month period ended 30 June 2015, New Sun contributed RMB126,545,000 to the Group's turnover and RMB9,898,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

(ii) Acquisition of Kai Da Investments Limited ("Kai Da")

On 29 April 2015, the Group acquired 100% equity interest in Kai Da from KDG Investment Limited, an independent third party, for a consideration of approximately RMB369,903,000, which was satisfied by (i) allotment and issue, credited as fully paid, of 148,740,000 ordinary shares of the Company, representing consideration of approximately RMB292,903,000; (ii) RMB48,000,000 in cash; and (iii) subject to adjustment, a maximum amount of RMB 29,719,000 payable upon fulfillment of the profit guarantee with fair value of RMB29,000,000 at the date of the acquisition. Kai Da is principally engaged in manufacture of and trading in wires and cables in the PRC. The acquisition has been accounted for using purchase method. The amount of goodwill arising as a result of the acquisition was approximately RMB54,775,000. Acquisition-related costs incurred were insignificant and were recognised as expenses in the current interim period, within the other expenses.

Consideration transferred

	RMB'000
Consideration shares issued	292,903
Cash consideration at completion date	20,000
Cash consideration payable *(note a)*	28,000
Contingent consideration payable *(note b)*	29,000
	369,903

Notes:

(a) The maximum amount of RMB28,000,000 shall be settled by the Group in cash on the 10th business day after 31 December 2016 or the date on which all the relevant external guarantees provided by the wholly-owned subsidiary of Kai Da in the PRC ("Kai Da China") and all the relevant account receivables of Kai Da China as set out in the sale and purchase agreement are fully released and collected (whichever is earlier), or such other date as agreed by KDG Investment Limited and the Group in writing.

(b) Based on the sale and purchase agreement, the Group is required to pay a maximum amount of RMB29,719,000 if the audited net operating profit after tax of Kai Da China, for the year ending 31 December 2015 in accordance with the applicable PRC accounting principles, is equal to or more than RMB49,380,000. RMB29,000,000 represented the fair value of this obligation at the date of the acquisition based on valuation report from an independent qualified professional valuer. The fair value of such contingent consideration amounted to RMB29,300,000 as at 30 June 2015 and has been included in "contingent considerations payable" line item in the condensed consolidated statement of financial position.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	104,244
Land use rights	28,700
Available-for-sale investment	4,590
Inventories	294,223
Trade and other receivables	235,687
Pledged bank deposits	74,306
Bank balances and cash	930
Trade and other payables	(239,264)
Bank borrowings	(179,250)
Taxation payable	(205)
Deferred tax liabilities	(8,833)
	315,128

The trade and other receivables acquired with a fair value of RMB235,687,000 had gross contractual amounts of RMB235,687,000.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	369,903
Less: net assets acquired	(315,128)
	54,775

Goodwill arose in the acquisition of Kai Da because the acquisition has synergetic effect and increases the overall production capacity to cope with the increase in customers' orders. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration at completion date	20,000
Less: Bank balance and cash acquired	(930)
Net cash outflow on acquisition	19,070

During the six-month period ended 30 June 2015, Kai Da contributed RMB169,194,000 to the Group's turnover and RMB11,811,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

Impact of acquisitions on the results of the Group

Had the acquisitions of New Sun and Kai Da been completed on 1 January 2015, total turnover of the Group for the current interim period would have been approximately RMB4,192,078,000 and profit for the current interim period would have been approximately RMB311,347,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

15. CAPITAL COMMITMENTS

	30.6.2015	31.12.2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**12,300**	16,053

16. CONTINGENT LIABILITIES

As at 30 June 2015, neither the Group nor the Company had any significant contingent liabilities.

17. 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 "Loan to an associate", and the compensation of directors below (including the emoluments of the Directors) during the period, the Group has no other significant transactions and balances with related parties.

Compensation of directors

The compensation of the Directors during the period was as follows:

	Six-month period ended	
	30.6.2015	30.6.2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Basic salaries and allowances	**1,490**	1,625
Retirement benefits scheme contributions	**18**	18
	1,508	1,643

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

18. SUBSEQUENT EVENT

On 24 July 2015, the Company entered into a placing and subscription agreement pursuant to which, among others, the Company conditionally agreed to allot and issue 370,806,000 ordinary shares of HK$0.01 each ("Subscription Shares") with an aggregated nominal value of HK$3,708,060 to Power Heritage Group Limited, a controlling shareholder (has the meaning under the Listing Rules) of the Company at subscription price of HK$1.95 per Subscription Share ("Subscription"). The closing price per share of the Company on 24 July 2015 was HK$2.2. Completion of the Subscription took place on 6 August 2015 and the Company received net proceeds of approximately HK$704.2 million from the Subscription.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the six-month period ended 30 June 2015, the Group's turnover for the period recorded approximately RMB3,904.6 million, representing an increase of approximately 16.8% as compared with the same period in 2014 and profit for the period attributable to owners of the Company amounted to approximately RMB288.2 million, representing an increase of approximately 16.3% as compared with the same period in 2014. 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 New Sun and Kai Da acquired by the Group in April 2015. The Group's gross profit margin for the six-month period ended 30 June 2015 remained stable at approximately 15.7% (six-month period ended 30 June 2014: 15.8%). Basic earnings per share for the six-month period ended 30 June 2015 was RMB8.26 cents (six-month period ended 30 June 2014: RMB8.06 cents), representing an increase of approximately 2.5%.

Market and Business Review

During the period under review, London Metal Exchange Limited ("LME") prices of copper fluctuated in the range of USD5,391 to USD6,448 per tonne with an average of approximately USD5,929 per tonne while LME prices of copper for the six-month period ended 30 June 2014 were trading on average of USD6,912 per tonne. Average LME prices for aluminium for the six-month period ended 30 June 2015 were trading at approximately USD1,789 per tonne while average LME prices for aluminium during the six-month period ended 30 June 2014 were trading at approximately USD1,753 per tonne. The average price of copper for the period under review was lower than the same period in 2014 by approximately 14.2%.

The decrease in copper price as compared with the same period in 2014 had a negative impact to the Group's turnover during the period under review. However, the Group was able to overcome the impact due to decrease in copper price on the average selling price of the Group's products by increasing the Group's sales volume for most 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 2015, have recorded substantial growth with turnover of approximately RMB2,687.0 million, and increase of approximately 24.1% (six-month period ended 30 June 2014: RMB2,165.0 million) and accounting for approximately 68.8% of the Group's total turnover for the period under review. The sales volume for power cables increased from approximately 33,033 km for the six-month period ended 30 June 2014 to approximately 56,748 km for the six-month period ended 30 June 2015 or an increase of approximately 71.8%. The average selling price of power cables dropped from approximately RMB65,539.8 per km for the six-month period ended 30 June 2014 to approximately RMB47,350.4 per km for the six-month period ended 30 June 2015 which was mainly attributable to the decrease in copper price and the increase in sales of lower average price overhead insulated cables in 2015.

Sales of wires and cables for electrical equipment for the six-month period ended 30 June 2015 also recorded growth with turnover of approximately RMB726.8 million, an increase of approximately 11.2% (six-month period ended 30 June 2014: RMB653.4 million) and accounting for approximately 18.6% of the Group's total turnover for the period under review. The sales volume for wires and cables for electrical equipment decreased from approximately 352,091 km for the six-month period ended 30 June 2014 to approximately 334,516 km for the six-month period ended 30 June 2015 or a decrease of approximately 5.0%. The average selling price of wires and cables for electrical equipment increased from approximately RMB1,855.7 per km for the six-month period ended 30 June 2014 to approximately RMB2,172.6 per km for the six-month period ended 30 June 2015 which was mainly attributable to the increase in sales of environmental friendly and safety products which are of higher selling price during the six-month period ended 30 June 2015.

Sales of bare wires also recorded growth during the six-month period ended 30 June 2015 with turnover of approximately RMB256.2 million, an increase of approximately 21.4% (six-month period ended 30 June 2014: RMB211.1 million) and accounting for approximately 6.6% of the Group's total turnover for the period under review. The sales volume for bare wires increased from approximately 16,901 tonnes for the six-month period ended 30 June 2014 to approximately 20,345 tonnes for the six-month period ended 30 June 2015 or an increase of approximately 20.4%. The increase in sales volume of bare wires was mainly attributable to the increase in sales of bare wires (including ultra-high voltage ("UHV") wires) to grid corporations in China during the period under review. The average selling price of bare wires slightly increased from approximately RMB 12.5 per kg for the six-month period ended 30 June 2014 to approximately RMB12.6 per kg for the six-month period ended 30 June 2015 due to the increase in sales of UHV wires.

Sales of special cables for the six-month period ended 30 June 2015 recorded approximately RMB234.6 million (six-month period ended 30 June 2014: RMB313.9 million). The sales volume of special cables increased from approximately 16,953 km for the six-month period ended 30 June 2014 to approximately 17,387 km for the six-month period ended 30 June 2015. The average selling price of special cables dropped from approximately RMB18,518 per km for the six-month period ended 30 June 2014 to approximately RMB13,493 per km for the six-month period ended 30 June 2015 which was mainly attributable to the decrease in price of copper in 2015 and the decline in sale of mining cables which are of higher average selling price.

Turnover by Geographical Markets

The PRC market remains the Group's key market. Sales to the PRC market for the six-month period ended 30 June 2015 increased by approximately 18.4% to approximately RMB3,732.7 million and accounted for approximately 95.6% of total turnover, the increase was primarily due to increase in sales to the grid corporations in the PRC, in particular, after the acquisitions of 100% equity interest in each of Kai Da and New Sun by the Group in April 2015.

Overseas markets revenue contribution decreased by approximately RMB20.0 million or approximately 10.4% in total for the period under review. The decrease was mainly attributable to decrease in orders as a result of delayed projects carried out by a major South African customer of the Group. During the six-month period ended 30 June 2015, the Group made sales in three new overseas markets, namely Vietnam, Australia and Pakistan with turnover of approximately RMB53.5 million, RMB0.9 million and RMB0.02 million respectively.

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 approximately 95% of cost of goods sold for the six-month period ended 30 June 2015, of which copper and aluminium are the major raw materials accounting for approximately 80% of cost of goods sold for the period under review. Direct labour costs remained stable and accounted for approximately 1% of total cost of goods sold for the period under review. The remaining balance of approximately 4% 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 approximately RMB84.4 million, or approximately 15.9%, from approximately RMB529.7 million for the six-month period ended 30 June 2014 to approximately RMB614.1 million for the six-month period ended 30 June 2015. Gross profit margin slightly decreased from approximately 15.8% for the six-month period ended 30 June 2014 to approximately 15.7% for the six-month period ended 30 June 2015. As compared to the gross profit margin for the year ended 31 December 2014 of approximately 15.6%, the gross profit margin for the six-month period ended 30 June 2015 remained stable. The increase in gross profit is in line with the increase in turnover.

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 2015 increased by approximately 16.3% from approximately RMB247.9 million for the six-month period ended 30 June 2014 to approximately RMB288.2 million. The increase was mainly due to additional profit generated from the Group's organic growth and also the profit contributed by New Sun and Kai Da following the acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group in April 2015.

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 approximately RMB8.9 million, or approximately 13.5%, from approximately RMB65.7 million for the six-month period ended 30 June 2014 to approximately RMB74.6 million for the six-month period ended 30 June 2015. The increase in selling and distribution costs was mainly due to increase in salaries and welfare as well as transportation costs as a result of increase in turnover. Selling and distribution costs as percentage of turnover remained stable at approximately 2.0% and 1.9% for the six-month period ended 30 June 2014 and 30 June 2015 respectively.

Administrative Expenses

Administrative expenses increased by approximately RMB21.1 million, or approximately 32.4%, from approximately RMB65.3 million for the six-month period ended 30 June 2014 to approximately RMB86.4 million for the six-month period ended 30 June 2015, mainly due to increase in staff cost, legal and professional fees and office expenses incurred during the period under review and the combination of expenses incurred by New Sun and Kai Da from the date of acquisition to 30 June 2015.

Other Expenses

Other expenses, which mainly composed of research and development cost and costs incurred in the acquisitions of 100% equity interest in each of Kai Da and New Sun, decreased by approximately 26.9% from approximately RMB9.8 million for the six-month period ended 30 June 2014 to approximately RMB7.1 million for the six-month period ended 30 June 2015. The decrease represented that less was spent on the Group's direct research and development while more was incurred in collaboration with other institutions on research and development of new products during the period under review.

Finance Costs

Finance costs increased by approximately 10.7% from approximately RMB112.3 million for the six-month period ended 30 June 2014 to approximately RMB124.4 million for the six-month period ended 30 June 2015 mainly due to the increase in bank borrowings required for financing the enlarged business operations after the various acquisitions including the acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group in April 2015. Finance costs as percentage of turnover reduced from approximately 3.4% for the six-month period ended 30 June 2014 to approximately 3.2% for the six-month period ended 30 June 2015 due to the decrease in the interest rates of the bank borrowings set by the People's Bank of China.

Taxation

The Group's taxation increased by approximately RMB10.0 million, or approximately 18.5%, from approximately RMB53.8 million for the six-month period ended 30 June 2014 to approximately RMB63.8 million for the six-month period ended 30 June 2015. This increase in taxation was in line with the increase in taxable income during the period under review.

Financial Position and Liquidity

As at 30 June 2015, total assets of the Group amounted to approximately RMB11,050.3 million (31 December 2014: RMB8,717.5 million).

Non-current assets increased by approximately 43.3% from approximately RMB869.5 million as at 31 December 2014 to approximately RMB1,245.7 million as at 30 June 2015. The increase was mainly due to goodwill arose in, and addition of property, plant and machinery and land use rights through, the acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group in April 2015.

Current assets increased by approximately 24.9% from approximately RMB7,848.0 million as at 31 December 2014 to approximately RMB9,804.7 million mainly due to increase in inventories and trade receivables as a result of the acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group in April 2015.

Total interest-bearing bank borrowings increased by approximately 34.7% from approximately RMB2,922.2 million as at 31 December 2014 to approximately RMB3,935.3 million as at 30 June 2015. Of the Group's total bank loans and other borrowings as at 30 June 2015, approximately 90.6% 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 approximately RMB4,033.7 million as at 30 June 2015, approximately 24.9% higher than the same as at 31 December 2014 of approximately RMB3,229.9 million.

As at 30 June 2015, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balance and cash and pledged bank deposits) of approximately RMB1,325.6 million over total equity of approximately RMB4,033.7 million as at 30 June 2015, increased from approximately -1.5% (as at 31 December 2014) to approximately 32.9%. As compared with the net-debt-to-equity ratio of 51.7% as at 30 June 2014, the net-debt-to-equity ratio of the Group as at 30 June 2015 had improved. The improvement in net-debt-to-equity ratio was mainly due to the allotment and issue of shares of the Company in September 2014 to raise equity.

The Group's borrowings are mainly denominated in Renminbi ("RMB") and carry interest at premium over the rates set by the People's Bank of China. 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 2015, the Group disposed of certain property, plant and equipment with an aggregate carrying amounts of approximately RMB879,000 (2014: RMB116,000) for cash proceeds of RMB817,000 (2014: nil), resulting in a loss on disposal of RMB62,000 (2014: RMB116,000).

As at 30 June 2015, the Group pledged certain of its buildings and machinery with an aggregated carrying value of approximately RMB232,351,000 and RMB84,662,000 respectively (31 December 2014: RMB108,936,000 and RMB112,052,000 respectively) to certain banks to secure credit facilities granted to the Group.

During the six-month periods ended 30 June 2015 and 2014, no interest expense has been capitalised.

Contingent Liabilities

As at 30 June 2015, neither the Group nor the Company had any significant contingent liabilities.

Acquisition of Subsidiaries

On 29 April 2015, the Group acquired (i) 100% equity interest in Kai Da Investments Limited ("Kai Da", together with its subsidiaries, "Kai Da Group") from KDG Investment Limited ("KDG") at the maximum consideration of RMB322,043,000, subject to adjustments ("Kai Da Consideration") pursuant to the agreement dated 13 April 2015 entered into between, among others, the Group and KDG ("Kai Da SP Agreement"); and (ii) 100% equity interest in New Sun Investments Limited ("New Sun", together with its subsidiaries, "New Sun Group") from Nexus Limited ("Nexus") at the maximum consideration of RMB337,303,000, subject to adjustments ("New Sun Consideration") pursuant to the agreement dated 13 April 2015 entered into between, among others, the Group and Nexus ("New Sun SP Agreement").

New Sun Group and Kai Da Group

New Sun is a company incorporated in Cayman Islands with limited liability and is the holding company of the New Sun Group which is principally engaged in manufacture of and trading in wires and cables and related raw materials. New Sun Group's special products including flexible fireproof cables, 10kV cross-linked polyethylene insulation materials and copper belt for cable shielding.

Kai Da is a company incorporated in Cayman Islands with limited liability and is the holding company of the Kai Da Group which is principally engaged in manufacture of and in wires and cables. Kai Da Group has production capacity for high-rated voltage and extra-high rated voltage power cables.

Kai Da Consideration

The Kai Da Consideration, subject to the adjustments below, shall be settled by three instalments in the following manner:

(1) the first instalment of the Kai Da Consideration is RMB264,324,000, among which, (i) as to RMB20,000,000 shall be settled by the Group in cash; and (ii) the balance shall be settled by way of allotment and issue of 148,740,000 new shares of the Company ("Kai Da Consideration Shares"), credited as fully paid, at an issue price of approximately HK$2.050 per Kai Da Consideration Share to KDG (or its nominee), upon completion;

(2) the maximum amount of the second instalment of the Kai Da Consideration is RMB28,000,000, which shall be settled by the Group in cash on the 10th Business Day after 31 December 2016 or the date on which all the relevant external guarantees provided by a wholly-owned subsidiary of Kai Da in the PRC ("Kai Da China") and all the relevant account receivables of Kai Da China as set out in the Kai Da SP Agreement are fully released and collected (whichever is earlier) ("Kai Da Relevant Date"), or such other date as agreed by KDG and the Group in writing ("Kai Da Second Instalment Payment Date"); and

(3) the maximum amount of the third instalment of the Kai Da Consideration is RMB29,719,000, which shall be settled by the Group in cash within a period for 30 days commencing from the issue date of the audited consolidated financial statements of Kai Da China for the year ending 31 December 2015 issued by the qualified auditors ("Kai Da Third Instalment Payment Period").

The Kai Da Consideration shall be subject to following adjustments ("Kai Da Adjustments"):

(1) The adjustment to the second instalment of the Kai Da Consideration

In the event that KDG fails to or fails to procure to release all the relevant external guarantees provided by Kai Da China (which amount to RMB76,500,000) or collect all the relevant account receivables of Kai Da China (which amount to approximately RMB30,415,271) on or before the Kai Da Relevant Date, the aggregate amount of such unreleased external guarantees and the uncollected account receivables shall be deducted from the total amount of the second instalment of the Kai Da Consideration, the balance of which shall be the adjusted amount of the second instalment of the Kai Da Consideration.

If the adjusted amount of the second instalment of the Kai Da Consideration:

(i) is a positive figure, the Group shall pay to KDG such amount on the Kai Da Second Instalment Payment Date;

(ii) is zero (0), the Group shall not be obliged to pay any amount to KDG under the second instalment of the Kai Da Consideration;

(iii) is a negative figure, the Group shall not be required to pay to KDG any amount under the second instalment of the Kai Da Consideration and KDG shall pay to the Group such amount equal to such negative figure on the Kai Da Second Instalment Payment Date.

(2) The adjustment to the third instalment of the Kai Da Consideration

For the purpose of this adjustment, the "Audited NOP" is the Kai Da China's audited net operating profit after tax, as recorded in the audited consolidated financial statements of Kai Da China for the year ending 31 December 2015 prepared in accordance with the applicable PRC accounting principles.

If the Audited NOP is equal to or more than RMB49,380,000, the Group shall pay the full amount of the third instalment of the Kai Da Consideration (i.e. RMB29,719,000) to KDG within the Kai Da Third Instalment Payment Period.

If the Audited NOP is less than RMB49,380,000 (where the Audited NOP is a negative figure, such Audited NOP shall remain as a negative figure), the amount of the third instalment of the Kai Da Consideration shall be determined in accordance with the following formula:

A = E – ((B – C) x D)

where:

A: the adjusted amount of the third instalment of the Kai Da Consideration;

B: RMB49,380,000;

C: Audited NOP;

D: 7.5, being the P/E ratio agreed by KDG and the Group; and

E: RMB29,719,000, being original amount of the third instalment of the Kai Da Consideration.

Provided that if the adjusted amount of the third instalment of the Kai Da Consideration:

(i) is a positive figure, the Group shall pay to KDG such amount within the Kai Da Third Instalment Payment Period;

(ii) is zero (0), the Group shall not be obliged to pay any amount to KDG under the third instalment of the Kai Da Consideration;

(iii) is a negative figure, the Group shall not be required to pay to KDG any amount under the third instalment of the Kai Da Consideration and KDG shall pay to the Group such amount equal to such negative figure within the Kai Da Third Instalment Payment Period.

New Sun Consideration

The New Sun Consideration, subject to the adjustments below, shall be settled by three instalments in the following manner:

(1) the first instalment of New Sun Consideration is RMB264,324,000, among which, (i) as to RMB20,000,000 shall be settled by the Group in cash; and (ii) the balance shall be settled by way of allotment and issue of 148,740,000 new shares of the Company ("New Sun Consideration Shares"), credited as fully paid, at an issue price of approximately HK$2.050 per New Sun Consideration Share to Nexus (or its nominee), upon completion;

(2) the maximum amount of the second instalment of New Sun Consideration is RMB38,000,000, which shall be settled by the Group in cash on the 10th business day after 31 December 2016 or the date on which all the relevant external guarantees provided by a wholly-owned subsidiary of New Sun in the PRC ("New Sun China") and all the relevant account receivables of New Sun China as set out in the New Sun SP Agreement are fully released and collected (whichever is earlier)("New Sun Relevant Date"), or such other date as agreed by Nexus and the Group in writing) ("New Sun Second Instalment Payment Date"); and

(3) the maximum amount of the third instalment of New Sun Consideration is RMB34,979,000, which shall be settled by the Group by cash within a period for 30 days commencing from the issue date of the audited consolidated financial statements of New Sun China for the year ending 31 December 2015 issued by the qualified auditors ("New Sun Third Instalment Payment Period").

The New Sun Consideration shall be subject to following adjustments ("New Sun Adjustments"):

(1) The adjustment to the second instalment of the New Sun Consideration

    In the event that Nexus fails to or fails to procure to release all the relevant external guarantees provided by New Sun China (which amount to RMB207,000,000) or collect all the relevant account receivables of New Sun China (which amount to approximately RMB6,323,792) on or before the New Sun Relevant Date, the aggregate amount of such unreleased external guarantees and the uncollected account receivables shall be deducted from the total amount of the second instalment of the New Sun Consideration, the balance of which shall be the adjusted amount of the second instalment of the New Sun Consideration.

    If the adjusted amount of the second instalment of the New Sun Consideration:

    (i) is a positive figure, the Group shall pay to Nexus such amount on the New Sun Second Instalment Payment Date;

    (ii) is zero (0), the Group shall not be obliged to pay any amount to Nexus under the second instalment of the New Sun Consideration;

    (iii) is a negative figure, the Group shall not be required to pay to Nexus any amount under the second instalment of the New Sun Consideration and Nexus shall pay to the Group such amount equal to such negative figure on the New Sun Second Instalment Payment Date.

(2) The adjustment to the third instalment of the New Sun Consideration

    For the purpose of this adjustment, the "Audited NOP" is the New Sun China's audited net operating profit after tax, as recorded in the audited consolidated financial statements of New Sun China for the year ending 31 December 2015 prepared in accordance with the applicable PRC accounting principles.

If the Audited NOP is equal to or more than RMB51,719,700, the Group shall pay the full amount of the third instalment of the New Sun Consideration (i.e. RMB34,979,000) to Nexus within the New Sun Third Instalment Payment Period.

If the Audited NOP is less than RMB51,719,700 (where the Audited NOP is a negative figure, such Audited NOP shall remain as a negative figure), the amount of the third instalment of the New Sun Consideration shall be determined in accordance with the following formula:

A = E – ((B – C) x D)

where:

A: the adjusted amount of the third instalment of the New Sun Consideration;

B: RMB51,719,700;

C: Audited NOP;

D: 7.5, being the P/E ratio agreed by Nexus and the Group; and

E: RMB34,979,000, being original amount of the third instalment of the New Sun Consideration.

Provided that if the adjusted amount of the third instalment of the New Sun Consideration:

(i) is a positive figure, the Group shall pay to Nexus such amount within the New Sun Third Instalment Payment Period;

(ii) is zero (0), the Group shall not be obliged to pay any amount to Nexus under the third instalment of the New Sun Consideration;

(iii) is a negative figure, the Group shall not be required to pay to Nexus any amount under the third instalment of the New Sun Consideration and Nexus shall pay to the Group such amount equal to such negative figure within the New Sun Third Instalment Payment Period.

Issue of new shares after 30 June 2015

On 24 July 2015, the Company entered into a placing and subscription agreement pursuant to which, among others, the Company conditionally agreed to allot and issue 370,806,000 ordinary shares of HK$0.01 each ("Subscription Shares") with an aggregated nominal value of HK$3,708,060 to Power Heritage Group Limited, a controlling shareholder (has the meaning under the Listing Rules) of the Company at subscription price of HK$1.95 per Subscription Share ("Subscription"). The closing price per share of the Company on 24 July 2015 was HK$2.2. Completion of the Subscription took place on 6 August 2015 and the Company received net proceeds of approximately HK$704.2 million from the Subscription. The net subscription price per Subscription Share is HK$1.90. The Directors considered that the

Subscription represents a good opportunity to raise capital for the Company while broadening the shareholder base and strengthening the capital base of the Company. The Company intends to use the net proceeds from the Subscription for overseas sales network establishment, investment in cable related business as well as working capital of the Group. As at the date of this announcement, approximately HK$400 million had been utilised as working capital of the Group.

Interim Dividend

The Board declared an interim dividend of HK2.5 cents per share for the six-month period ended 30 June 2015 (2014: HK2.5 cents) to the shareholders whose names appear on the register of members of the Company on 30 September 2015. The interim dividend will be paid on or about 23 October 2015.

Closure of Register of Members

For the purpose of determining the entitlement to the interim dividend for the six-month period ended 30 June 2015, the register of members of the Company will be closed from Tuesday, 29 September 2015 to Wednesday, 30 September 2015, 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 2015, all transfer of shares accompanies by the relevant shares certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 25 September 2015.

Employees and Remuneration

As at 30 June 2015, the Group had a total of 3,490 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 increased from approximately RMB602.0 million as at 31 December 2014 to approximately RMB800.1 million as at 30 June 2015, representing an increase of approximately 32.9%. The increase was mainly attributed to addition of property, plant and equipment through acquisitions of 100% equity interest in each of New Sun and Kai Da by the Group during the period under review.

Outlook and Plan

The economy in the first half of 2015 had been suffering with weak Europe's economy, threatening by the Greece's debt crisis, the expectation on the United States to raise interest rates and the slowdown of China's economy growth. The sudden yuan devaluation of nearly 2 percent on August 11 shocked the world markets and raised the suspicious that the China's economy is worser than had been thought.

With the fears on slowdown of China's economy, it is expected that the commodities consumption like iron ore, copper, etc will dry up. Domestic consumption is expected to decline which in turn will affect manufacturers in China. Cable industry is not an exception and is also suffered from the economy downturn. The most direct and adverse impact on the cable industry is the decline in copper price which strongly correlate to the selling price of cables due to the general adoption of the cost plus model in the cable industry. LME copper price dropped by more than 14% on average for the six-month period ended 30 June 2015 as compared to that for the six-month period ended 30 June 2014.

All the above set a difficult operating environment for the Group to sustain a substantial growth. The Group, however, was able to maintain a moderate growth in turnover and net profit for the six-month period ended 30 June 2015 as a result of organic growth and acquisitions. Following the Group's strategy adopted in the first half of 2015, the Group will continue focusing on increasing market share in high growth business segments such as energy and infrastructure. Securing more businesses with grid corporations in China and the mission on exploring opportunities overseas arising from the China's "One Belt, One Road" will remain the Group's key strategies.

State Grid Corporation of China ("SGCC") on 17 August 2015 issued a comprehensive plan and adjusted upward its 2015 fixed assets investment from its initial budget of RMB439.6 billion in the beginning of the year of 2015 to RMB467.9 billion. China Southern Grid ("CSG") also increased its planned investment of 2015 from RMB70 billion in the beginning of the year of 2015 to RMB83.4 billion. Total fixed assets planned investment in 2015 by the two grid corporations in China reached a record high of RMB551.3 billion. The additional spending activated grid construction and will expedite the upgrade of rural power grids, direct current engineering projects, distribution network transformation, connecting new energy onto grid network and other development. Fixed assets investment by the two grid corporations will have quick and long-lasting impact on entities in the supply chain and will significantly boost the results, in particular, of the listed companies in the relevant field such as cable industry.

Grid investment has become an important option for counter-cyclical investment. It is expected that in the 13th Five-Year Plan, the scale of investment will be further increased to cope with a stronger power distribution network, integration of new energy and low-carbon strategies, the access problem in rural areas and the use of renewable energy including solar energy, biomass, wind power and other distributed energy generation sources.

The "Silk Road Economic Belt" and "21st Century Maritime Silk Road" (together referred to as "One Belt, One Road") are initiatives raised by Chinese president Xi Jinping. They are expected to feature prominently in China's 13th Five-Year Plan and guide national investment strategy throughout that period. The "Belt" is a planned network of overland road and rail routes, oil and natural gas pipelines, and other infrastructure projects that will stretch from Xi'an in central China, through Central Asia, and ultimately reach as far as Moscow, Rotterdam, and Venice. The "Road" is a network of planned port and other coastal infrastructure projects that dot the map from South and Southeast Asia to East Africa and the northern Mediterranean Sea. New regional institutions, such as the Asian Infrastructure Investment Bank (AIIB) and New Silk Road Fund (NSRF), are also designed in part to complement and support the Belt and Road's development. The Group, being one with the most comprehensive licenses and accreditations to export cables, will certainly benefit from this national strategy. The Group has been adopting a pro-active approach and encourages salespersons going overseas and setting up offices or shops. There were salespersons who have committed to and are now setting up sales network in overseas countries. The Group is confident that with the One Belt, One Road strategy and with the Group aggressively going out, the Group's overseas business will grow significantly in the coming years.

Merger and acquisition will remain one of the Group's growth drivers. Unlike the Group's past acquisitions which acquired peers in region nearby, the Group's coming strategy will be in acquiring engineering, procurement and construction ("EPC") company downstream in the cable manufacturing supply chain. The Group also considers peers in other geographical location in China. Given the cable industry in China is undergoing consolidation, merger and acquisition will provide the Group a quicker mean to gain market shares. Acquisitions which are earnings accretive and with integration synergy are always the Group's key criteria for considering a target.

South Africa has been one of the Group's key markets though the revenue contribution for the six-month period ended 30 June 2015 was a bit disappointing. However the Group has confidence that the South Africa market will pick up and will also bring in new opportunities for the Group in African countries. According to a press released by Transparency Market Research on South Africa wire and cable market, the cable market in South Africa is expected compound annual growth rate of 12% from 2014 to 2020 and is anticipated to reach USD834.5 million in 2020. The growth in demand for cables can be attributable to the investments made by the South African government in infrastructure to meet the demands for a rapidly growing economy and population. Moreover, the growth of automobile industry and the increasing in-vehicle wiring application drives the wire and cable market in South Africa.

Although China's economy started the second half of 2015 on a weak note, with exports in July slid 8.3% from 2014 and imports in July fell 8.1%, the Chinese government has therefore lowered the bank interest rates and adopted flexible monetary policies to boost the economy. Despite the near term challenges, the Group is still positive on its business outlook. The Group believes that the current economic outlook will trigger a faster pace of cable industry consolidation and will in the medium to long term benefit the Group. The Group will continue to take a cautious approach in exploring new business opportunities in order to safeguard the interests of the shareholders of the Company.

PURCHASE, SALE OR REDEMPTION

For the six-month period ended 30 June 2015 (the "Relevant Period"), neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities 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 of the Listing Rules. The Company has complied with all the applicable code provisions in the CG Code during the Relevant Period, save for the deviation from the code provision E.1.2 of the CG Code that the Chairman of the Board was unable to attend the annual general meeting of the Company held on 30 April 2015 due to sickness.

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 2015.

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

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

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.jiangnangroup.com). The interim report for the six-month period ended 30 June 2015 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

ACKNOWLEDGEMENT

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

By order of the Board
Rui Fubin
Chairman

Hong Kong, 28 August 2015

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