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 2016

FINANCIAL HIGHLIGHTS

- Turnover decreased by approximately 3.2% to RMB3,781.3 million (2015: RMB3,904.6 million)
- Gross profit decreased by approximately 3.6% to RMB591.8 million (2015: RMB614.1 million)
- Profit for the period attributable to owners of the Company decreased by approximately 23.9% to RMB219.4 million (2015: RMB288.2 million)
- Basic earnings per share decreased by approximately 34.9% to RMB5.38 cents (2015: RMB8.26 cents)
- The Board does not recommend declaration and payment of any interim dividend (2015: HK2.5 cents)

The board (the "Board") of directors (the "Directors") of Jiangnan Group Limited ("Jiangnan" or the "Company") is 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 2016 together with the unaudited comparative figures for the six-month period ended 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2016

		Six-month period ended	
		30.6.2016	30.6.2015
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3*	**3,781,289**	3,904,642
Cost of goods sold		**(3,189,450)**	(3,290,579)
Gross profit		**591,839**	614,063
Other income	*4*	**39,637**	30,932
Selling and distribution costs		**(97,012)**	(74,576)
Administrative expenses		**(113,735)**	(86,433)
Other expenses		**(15,350)**	(7,124)
Other losses		**(4,921)**	(62)
Share of loss of associates		**(15,941)**	(446)
Finance costs		**(111,648)**	(124,391)
Profit before taxation	*5*	**272,869**	351,963
Taxation	*6*	**(54,425)**	(63,781)
Profit for the period		**218,444**	288,182
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**1,523**	(2,201)
Total comprehensive income for the period		**219,967**	285,981
Profit (loss) for the period attributable to:			
Owners of the Company		**219,415**	288,182
Non-controlling interest		**(971)**	–
		218,444	288,182
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**220,938**	285,981
Non-controlling interest		**(971)**	–
		219,967	285,981
Earnings per share — Basic	*8*	**RMB5.38 cents**	RMB8.26 cents
— Diluted		**RMB5.38 cents**	RMB8.20 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**30.6.2016** *RMB'000* **(unaudited)**	31.12.2015 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	*9*	**804,925**	789,806
Land use rights		**261,957**	258,064
Goodwill		**109,606**	109,606
Interests in associates		**3,375**	14,267
Loan to an associate		**17,329**	19,773
Available-for-sale investment		**7,090**	7,090
Deferred tax assets		**4,186**	4,481
Deposits paid for acquisition of property, plant and equipment		**9,065**	31,088
		1,217,533	1,234,175
Current assets			
Inventories		**3,790,195**	3,269,050
Trade and other receivables	*10*	**3,692,471**	3,591,852
Pledged bank deposits		**1,856,518**	1,892,902
Bank balances and cash		**1,742,325**	2,131,286
		11,081,509	10,885,090
Current liabilities			
Trade and other payables	*11*	**3,432,734**	3,253,568
Amounts due to directors		**4,967**	5,593
Bank borrowings — due within one year	*12*	**3,716,294**	3,770,161
Taxation payable		**78,209**	116,470
Obligation under a finance lease		**241**	231
		7,232,445	7,146,023
Net current assets		**3,849,064**	3,739,067
Total assets less current liabilities		**5,066,597**	4,973,242
Non-current liabilities			
Government grants		**4,797**	6,594
Deferred tax liabilities		**73,866**	70,563
Obligation under a finance lease		**41**	160
		78,704	77,317
		4,987,893	4,895,925
Capital and reserves			
Share capital	*13*	**32,951**	32,951
Reserves		**4,953,913**	4,862,974
Equity attributable to owners of the Company		**4,986,864**	4,895,925
Non-controlling interest		**1,029**	–
		4,987,893	4,895,925

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 in Appendix 16 to 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations issued by the HKICPA that became effective for the Group's financial year beginning 1 January 2016:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 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.

3. TURNOVER AND SEGMENT INFORMATION

The Group's chief operating decision maker has been identified as the 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 reporting periods.

The segment results represent the gross profits earned by each segment (segment revenue less segment cost of goods sold), which are internally generated financial information that has been 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 have not been allocated to each reportable segment. The segment results are 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	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
— power cables	**2,690,349**	2,687,042
— wires and cables for electrical equipment	**708,629**	726,764
— bare wires	**179,120**	256,242
— special cables	**203,191**	234,594
	3,781,289	3,904,642
Cost of goods sold		
— power cables	**2,255,854**	2,243,269
— wires and cables for electrical equipment	**625,119**	639,740
— bare wires	**156,983**	227,551
— special cables	**151,494**	180,019
	3,189,450	3,290,579
Segment result		
— power cables	**434,495**	443,773
— wires and cables for electrical equipment	**83,510**	87,024
— bare wires	**22,137**	28,691
— special cables	**51,697**	54,575
	591,839	614,063

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

	Six-month period ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reportable segment results	**591,839**	614,063
Unallocated income and expenses		
— Other income	**39,637**	30,932
— Selling and distribution costs	**(97,012)**	(74,576)
— Administrative expenses	**(113,735)**	(86,433)
— Other expenses	**(15,350)**	(7,124)
— Other losses	**(4,921)**	(62)
— Share of loss of associates	**(15,941)**	(446)
— Finance costs	**(111,648)**	(124,391)
Profit before taxation	**272,869**	351,963

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.

Geographical information

More than 90% of the Group's sales were made to customers in the People's Republic of China (the "PRC") for both reporting periods. More than 90% of the Group's non-current assets were located in the PRC at 30 June 2016 and 31 December 2015.

Information about major customers

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

	Six-month period ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Customer A	**657,876**	628,695

4. OTHER INCOME

	Six-month period ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income	**34,759**	25,067
Government subsidies *(Note)*	**3,196**	2,956
Others	**1,682**	2,909
	39,637	30,932

Note: Included in the amount are approximately RMB463,000 (2015: RMB463,000) and approximately RMB1,333,000 (2015: RMB 1,333,000), representing deferred income on government subsidies in relation to capital expenditure on property, plant and equipment recognised in the relevant 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, and research and energy reduction activities conducted by the Group, all of which had no specific conditions attached.

5. PROFIT BEFORE TAXATION

	Six-month period ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**40,422**	32,585
Loss on disposal of property, plant and equipment	**1,388**	62
Research and development costs (included in other expenses)	**15,350**	6,952
Minimum lease payment under operating lease in respect of property	**1,119**	2,009
Operating lease rentals in respect of land use rights	**3,397**	2,899

6. TAXATION

	Six-month period ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**50,827**	58,686
Deferred taxation	**3,598**	5,095
Taxation charge for the period	**54,425**	63,781

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 applied to the PRC subsidiaries of the Group has been 25% from 1 January 2008 onwards. Certain PRC subsidiaries of the Group were endorsed as High and New Technology Enterprises and were approved by the tax authority to be entitled to a reduced PRC income tax rate of 15%.

Taxation arising from South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax was calculated at 28% (2015: 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 periods ended 30 June 2016 and 2015.

7. DIVIDENDS

During the current interim period, a final dividend of HK3.1 cents per share in respect of the year ended 31 December 2015 (2015: HK3.7 cents per share in respect of the year ended 31 December 2014) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to HK$126,444,846 (2015: HK$136,088,200).

The Board does not recommend the payment of any interim dividend for the six-month period ended 30 June 2016 (2015: HK2.5 cents).

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	
	30.6.2016	30.6.2015
	(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)*	**219,415**	288,182
Number of shares *('000)*		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,078,866**	3,487,935
Effect of dilutive potential ordinary shares: Warrants	**–**	25,053
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	**4,078,866**	3,512,988

Diluted earnings per share is the same as basic earnings per share for the six-month period ended 30 June 2016. For the six-month period ended 30 June 2015, 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 2016, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Buildings	**99**	–
Plant and machinery	**10,219**	2,341
Furniture, fixtures and equipment	**1,845**	1,160
Motor Vehicles	**2,057**	3,092
Construction in progress	**43,747**	4,282
Total	**57,967**	10,875

During the six-month period ended 30 June 2016, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB2,484,000 (2015: RMB879,000) for cash proceeds of approximately RMB1,096,000 (2015: RMB817,000), resulting in a loss on disposal of approximately RMB1,388,000 (2015: RMB62,000).

As at 30 June 2016, the Group pledged certain of its buildings and machinery with an aggregate carrying amount of approximately RMB221,738,000 and approximately RMB120,096,000 respectively (31 December 2015: RMB209,650,000 and RMB97,442,000 respectively) to certain banks to secure credit facilities granted to the Group.

10. TRADE AND OTHER RECEIVABLES

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables, net	**3,271,413**	3,121,978
Bills receivables	**156,652**	282,927
	3,428,065	3,404,905
Current portion of land use rights	**6,921**	6,772
Deposits paid to suppliers	**80,089**	52,054
Prepayments	**38,155**	28,010
Staff advances	**1,809**	4,648
Tender deposits	**95,805**	63,147
Value-added tax receivables	**7,682**	2,478
Other receivables	**33,945**	29,838
	3,692,471	3,591,852

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 periods is as follows:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**1,764,041**	1,982,375
91 to 180 days	**548,912**	659,752
181 to 365 days	**757,360**	488,725
Over 365 days	**357,752**	274,053
	3,428,065	3,404,905

Included in the Group's trade and bills receivables balance are debtors with an aggregate carrying amount of approximately RMB1,556,916,000 as at 30 June 2016 (31 December 2015: RMB1,310,035,000), which were 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 2016.

11. TRADE AND OTHER PAYABLES

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**1,153,634**	820,216
Bills payables	**1,535,923**	1,756,141
	2,689,557	2,576,357
Payroll and welfare accruals	**59,932**	108,660
Receipts in advance from customers	**336,707**	314,473
Cash consideration payables	**66,000**	66,000
Contingent consideration payables	**64,698**	64,698
Construction work payables	**708**	13,257
Other tax payables	**13,265**	22,312
Other deposits	**4,387**	944
Dividend payables	**108,847**	–
Other payables and accruals	**88,633**	86,867
	3,432,734	3,253,568

The average credit period on purchase of goods ranges from 30 days to 90 days. The ageing analysis of trade and bills payables based on the invoice date at the end of the reporting periods is as follows:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**1,668,358**	2,295,705
91 to 180 days	**893,161**	222,658
181 to 365 days	**117,420**	49,444
Over 1 year	**10,618**	8,550
	2,689,557	2,576,357

12. BANK BORROWINGS

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Secured	**864,118**	1,000,519
Secured and guaranteed by independent third parties	**455,000**	400,000
Unsecured	**844,308**	627,403
Unsecured and guaranteed by independent third parties	**1,552,868**	1,742,239
	3,716,294	3,770,161
The bank borrowings comprise:		
Variable rate borrowings	**426,323**	1,129,884
Fixed rate borrowings	**3,228,214**	2,543,347
Discounted bills with recourse	**61,757**	96,930
	3,716,294	3,770,161

All bank borrowings as at 30 June 2016 and 31 December 2015 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 they relate to:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
United States dollars	**126,913**	47,403
Singapore dollars	**31,424**	–
Euros	**105,236**	–
Hong Kong dollars	**153,613**	277,068

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 periods were as follows:

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
For bank borrowings:		
— property, plant and equipment	**341,834**	307,092
— land use rights	**189,810**	220,246
For bank borrowings and bills payables:		
— pledged bank deposits	**1,856,518**	1,892,902
	2,388,162	2,420,240

13. SHARE CAPITAL

Movements in the authorised and issued 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 2015, 31 December 2015 (audited) and 30 June 2016 (unaudited)	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2015	3,380,580,000	33,805,800	27,364
Issue of shares upon acquisition of subsidiaries *(note a)*	297,480,000	2,974,800	2,381
Issue of shares upon exercise of warrants *(note b)*	30,000,000	300,000	240
Issue of shares upon subscription (note c)	370,806,000	3,708,060	2,966
At 31 December 2015 (audited) and 30 June 2016 (unaudited)	4,078,866,000	40,788,660	32,951

Notes:

(a) On 29 April 2015, the Company allotted and issued (i) 148,740,000 new ordinary shares of HK$0.01 each of the Company to Nexus NS Limited as partial consideration for the acquisition of 100% equity interest in New Sun Investments Limited; and (ii) 148,740,000 new ordinary shares of HK$0.01 each of the Company to KDG Investment Limited as partial consideration for the acquisition of 100% equity interest in Kai Da Investments Limited.

(b) 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 carries the right to subscribe for one ordinary share of HK$0.01 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 an aggregate amount of RMB27,000,000 (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 an aggregate amount of RMB13,600,000 (HK$17,000,000) for shares of the Company. During the six-month period ended 30 June 2016, the remaining outstanding warrants entitling the holders thereof to subscribe in cash up to an aggregate amount of RMB163,200,000 (approximately HK$204,000,000) for shares of the Company expired.

(c) On 24 July 2015, the Company, Power Heritage Group Limited ("Power Heritage") (which was at that time owned as to 83% by Mr. Rui Fubin, the then chairman of the Board (the "Chairman") and an executive Director) as the vendor and Shenwan Hongyuan Securities (H.K.) Limited ("SHSL") as the placing agent, entered into the placing and subscription agreement (the "Placing and Subscription Agreement"), pursuant to which, among others, the Company and Power Heritage had agreed to place through SHSL, on a best endeavour basis, up to 370,806,000 new ordinary shares of HK$0.01 each in the share capital of the Company (the "Placing Shares"), to not less than six placees (being professional, institutional and other investors, who and whose ultimate beneficial owners are third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates), at a price of HK$1.95 per Placing Share. Power Heritage had conditionally agreed to subscribe (the "Subscription") for a number of new ordinary shares of HK$0.01 each in the share capital of the Company (the "Subscription Shares"), the number of which shall equal to the number of Placing Shares actually placed under the Placing and Subscription Agreement. Completion of placing of a total of 370,806,000 shares of HK$0.01 each at the price of HK$1.95 per Placing Share took place on 29 July 2015. Completion of the Subscription took place on 6 August 2015 and the Company received gross proceeds from issue of such Subscription Shares of approximately RMB578,258,000 (approximately HK$723,072,000). Expenses directly incurred for the issue of the Subscription Shares amounting to approximately RMB20,799,000 (approximately HK$26,008,000) were recognised in equity during the year ended 31 December 2015.

14. CAPITAL COMMITMENTS

	30.6.2016	31.12.2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditures contracted for but not provided for in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**15,301**	5,504

15. CONTINGENT LIABILITIES

As at 30 June 2016, neither the Group nor the Company had any significant contingent liabilities.

16. SHARE AWARD SCHEME

The purposes of the share award scheme are to recognise the contributions by the Group's employees, executives, officers and directors and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The share award scheme of the Company was adopted by the Board on 9 September 2015. Pursuant to the share award scheme, existing shares will be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the scheme. When the selected participant has satisfied all vesting conditions specified by the Board at the time of making the award and becoming entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

On 28 January 2016, the Directors resolved to grant an aggregate of 35,300,000 shares in the capital of the Company (the "Awarded Shares") to certain employees and members of the management of the Group who shall remain employment within the Group during the vesting periods pursuant to the share award scheme. 25% of the Awarded Shares shall vest on each of 1 April 2016, 1 April 2017, 1 April 2018 and 1 April 2019 respectively.

The fair value of the Awarded Shares granted was determined with reference to market value of the shares on the grant date taking into account the price volatility of the Company, risk-free rate and the vesting period as well as the exclusion of the expected dividends, as the employees are not entitled to receive dividends paid during the vesting period. The fair value of the Awarded Shares on the grant date was approximately HK$30,182,000. The total amount charged to profit or loss in respect of the fair value of the Awarded Shares amounted to approximately HK$12,387,000 (equivalent to approximately RMB10,479,000) for the six-month period ended 30 June 2016.

Movements of the shares granted to employees and members of the management of the Group under the share award scheme were as follows:

	Number of shares
	'000
Outstanding as at 1 January 2015 and 31 January 2015 (audited)	–
Shares granted on 28 January 2016	35,300
Shares vested *(Note)*	(8,825)
Outstanding as at 30 June 2016 (unaudited)	26,475

Note: Movements of shares purchased under the share award scheme were as follows:

	Number of shares purchased	**Cost of purchase**	**Cost of purchase**
	'000	*HK$'000*	*RMB'000*
At 1 January 2015	–	–	–
Shares purchased from the market during the year	15,040	24,720	20,374
At 31 December 2015 (audited)	15,040	24,720	20,374
Shares purchased from the market during the period	33,456	39,935	33,515
Shares transferred out upon vested	(8,825)	(15,280)	(12,525)
At 30 June 2016 (unaudited)	39,671	49,375	41,364

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), the Group had no other significant transactions and balances with related parties during the reporting periods.

Compensation of Directors

The compensation of the Directors during the reporting periods was as follows:

	Six-month period ended	
	30.6.2016	30.6.2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Basic salaries and allowances	**1,389**	1,490
Share-based payments	**2,375**	–
Retirement benefits scheme contributions	**26**	18
	3,790	1,508

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

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the six-month period ended 30 June 2016, the Group recorded a turnover of approximately RMB3,781.3 million, representing a decrease of approximately 3.2% as compared with the same period in 2015 and a profit attributable to owners of the Company of approximately RMB219.4 million, representing a decrease of approximately 23.9% as compared with the same period in 2015. The decrease in the profit attributable to owners of the Company for the period under review was mainly attributable to decrease in gross profit, increase in operating expenses, increase in share of loss of associates and recognition of equity-settled share-based payments in respect of shares granted to selected officers and employees of the Group pursuant to the share award scheme of the Company on 28 January 2016. The Group's gross profit margin for the six-month period ended 30 June 2016 remained stable at approximately 15.7% (six-month period ended 30 June 2015: 15.7%). Basic earnings per share for the six-month period ended 30 June 2016 was RMB5.38 cents (six-month period ended 30 June 2015: RMB8.26 cents), representing a decrease of approximately 34.9%.

Market and Business Review

According to the statistical data published by the National Bureau of Statistics of China, the period-on-period growth rate of the gross domestic product (the "GDP") of the PRC remained stable at 6.7% in the first half of 2016. However, in light of the uncertainties associated with the Brexit referendum and interest hike in the United States, the global economic and political conditions were dampened and the market was faced with volatility, resulting in an overall sluggish sentiment. Restrained by these economic and political factors, the industrial and manufacturing sectors experienced diminishing demands which drove down the prices of raw materials, such as copper and aluminium. For the six-month period ended 30 June 2016, the London Metal Exchange Limited ("LME") average price of copper was USD4,701 per tonne, which was 20.7% lower than that in the corresponding period in 2015. For the six-month period ended 30 June 2016, the average price of aluminium was USD1,392 per tonne, which was 22.2% lower than that in the corresponding period in 2015. As the Group prices its products on a cost-plus basis, decrease in raw material prices put the Group's product prices under pressure, resulting in a slightly lower income for the period under review.

Turnover

For the six-month period ended 30 June	**Turnover**			**Gross Profit Margin**		
	2016 *RMB million*	2015 *RMB million*	Percentage Change	**2016**	2015	Change
Power cables	2,690.4	2,687.0	0.1%	16.2%	16.5%	–0.3%
Wires and cables for electrical equipment	708.6	726.8	–2.5%	11.8%	12.0%	–0.2%
Bare wires	179.1	256.2	–30.1%	12.4%	11.2%	1.2%
Special cables	203.2	234.6	–13.4%	25.4%	23.3%	2.1%
Total	3,781.3	3,904.6	–3.2%	15.7%	15.7%	–

Power cable products — 71.1% of total turnover

Driven by national policies in the PRC like the Action Plan of Distribution Network Construction and Upgrade (2015–2020) published by the National Energy Administration of China and rural power grids upgrades, the domestic cable demand in the PRC remained stable in the first half of 2016. Sales volume of the Group's power cable products increased by 50.4% to 85,330 km (six-month period ended 30 June 2015: 56,748 km), and turnover of power cables accounted for approximately 71.1% of the total turnover of the Group. However, as power cables are priced on a cost-plus basis by the Group, the average product price for the period under review decreased by 33.4% mainly due to decrease in copper prices. For the six-month period ended 30 June 2016, revenue from power cable products amounted to approximately RMB2,690.4 million, representing a slight increase of approximately 0.1% over the corresponding period in 2015 (six-month period ended 30 June 2015: RMB2,687.0 million). Gross profit for the period under review slightly decreased to approximately RMB434.5 million (six-month period ended 30 June 2015: RMB443.8 million), whereas gross profit margin slightly decreased to 16.2% (six-month period ended 30 June 2015: 16.5%).

Wire and cable for electrical equipment products — 18.8% of total turnover

For the six-month period ended 30 June 2016, turnover from wires and cables for electrical equipment decreased by 2.5% to approximately RMB708.6 million (six-month period ended 30 June 2015: RMB726.8 million). Sales volume of wires and cables for electrical equipment increased by approximately 44.5% from approximately 334,516 km for the six-month period ended 30 June 2015 to approximately 483,358 km for the six-month period ended 30 June 2016. Average price of wires and cables for electrical equipment decreased by approximately 32.5% from approximately RMB2,172.6 per km for the six-month period ended 30 June 2015 to approximately RMB1,466.1 per km for the six-month period ended 30 June 2016, mainly due to the decrease in average copper price in 2016.

Bare wire products — 4.7% of total turnover

For the six-month period ended 30 June 2016, turnover from bare wires decreased significantly by approximately 30.1% to approximately RMB179.1 million (six-month period ended 30 June 2015: RMB256.2 million). Sales volume of bare wires decreased by approximately 36.5% from 20,345 tonnes for the six-month period ended 30 June 2015 to 12,929 tonnes for the six-month period ended 30 June 2016. Due to the increase of sales contributed by UHV wires (a type of bare wire products), the average price of bare wire products increased by approximately 10.0% to approximately RMB13,854.1 per tonne (six-month period ended 30 June 2015: RMB12,594.8 per tonne) and the gross profit margin increased by approximately 1.2% to 12.4% (six-month period ended 30 June 2015: 11.2%).

Special cable products — 5.4% of total turnover

Under the recovery of the property market in the PRC, the demand for rubber cables (a type of special cables) for building and construction increased. The sales volume of special cables increased by approximately 10.5% to 19,219 km (six-month period ended 30 June 2015: 17,387 km). However, the average selling price of special cables decreased by approximately 21.6% from approximately RMB13,492 per km for the six-month period ended 30 June 2015 to approximately RMB10,572 per km for the six-month period ended 30 June 2016. This decrease in average selling price was mainly due to the decline in copper price and the drop in the sales of special cables to clients in the mining, shipbuilding and renewable energy industries. However, gross profit margin increased by approximately 2.1% to approximately 25.4% (six-month period ended 30 June 2015: 23.3%) as a result of the increase in the sales of flexible fireproof cables with an average gross profit margin of approximately 26%.

Turnover by Geographical Markets

The PRC market remains the Group's key market. Sales in the PRC market for the six-month period ended 30 June 2016 decreased by approximately 3.4% to approximately RMB3,606.1 million which accounted for approximately 95.4% of the Group's total turnover, and such decrease was primarily due to decrease in copper price in 2016.

Revenue contributed by overseas markets increased by approximately RMB3.2 million or approximately 1.9% in total for the period under review. This increase was mainly attributable to material increase in sales in Singapore and South Africa, partly alleviated by the decrease in sales in Vietnam during the period under review. During the six-month period ended 30 June 2016, the Group made sales in one new overseas market, namely Cambodia, with turnover of approximately RMB1.0 million.

Active Expansion of Overseas Markets

In addition to its regular sales, the Group has been actively exploring overseas sales opportunities and expanding its overseas client base, thereby increasing its revenue sources while enhancing recognition of its brands.

On 8 December 2015, the Group entered into a strategic cooperation agreement with China Gezhouba Group International Engineering Co., Ltd. (中國葛洲壩集團國際工程有限公司) ("Gezhouba Engineering") to jointly explore and develop international markets. On 7 April 2016, the Group entered into a supplemental strategic cooperation agreement with Gezhouba Engineering for further expansion of the global sales networks of the Group. Gezhouba Engineering will become a distributor of the Group and sell and promote cable products of the Group through its overseas branches. Gezhouba Engineering has market coverage in 149 countries, with 99 overseas branch companies. Therefore, furthering the strategic cooperation with Gezhouba Engineering will enable the Group to develop its overseas markets and improve its brand influence.

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 94.6% of cost of goods sold for the six-month period ended 30 June 2016, of which copper and aluminium were the Group's major raw materials accounting for approximately 79.5% of cost of goods sold for the period under review. Direct labour costs increased gently and accounted for approximately 1.3% of total cost of goods sold for the period under review. The remaining balance of approximately 4.1% of the cost of goods sold for the period under review was attributable to production costs which mainly consist 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

Gross profit decreased by approximately RMB22.2 million, or approximately 3.6%, from approximately RMB614.1 million for the six-month period ended 30 June 2015 to approximately RMB591.8 million for the six-month period ended 30 June 2016. Gross profit margin remained stable at approximately 15.7% for the six-month periods ended 30 June 2015 and 2016. As compared to the gross profit margin for the year ended 31 December 2015 of approximately 16.2%, the gross profit margin for the six-month period ended 30 June 2016 decreased as a result of the increase in direct labour costs and increase in the sales of power cable products which carried a lower average price and lower gross profit margin, such as overhead insulated cables, in 2016. This decrease in gross profit is in line with the decrease 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 2016 decreased by approximately 23.9% from approximately RMB288.2 million for the six-month period ended 30 June 2015 to approximately RMB219.4 million. This decrease was mainly due to decrease in gross profit, increase in operating expenses, increase in share of loss of associates as well as recognition of equity-settled share-based payments in respect of shares granted to selected officers and employees of the Group pursuant to the share award scheme of the Company on 28 January 2016.

Selling and Distribution Costs

Selling and distribution costs mainly represent the Group's salary and welfare expenses 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 RMB22.4 million, or approximately 30.1%, from approximately RMB74.6 million for the six-month period ended 30 June 2015 to approximately RMB97.0 million for the six-month period ended 30 June 2016. This increase in selling and distribution costs was mainly due to the increase in marketing expenses for promotion of the Group's products and bidding of projects. As a result, selling and distribution costs as a percentage of turnover increased from approximately 1.9% for the six-month period ended 30 June 2015 to approximately 2.6% for the six-month period ended 30 June 2016.

Administrative Expenses

Administrative expenses increased by approximately RMB27.3 million, or approximately 31.6%, from approximately RMB86.4 million for the six-month period ended 30 June 2015 to approximately RMB113.7 million for the six-month period ended 30 June 2016, mainly due to the increase in staff costs and travelling and entertainment expenses incurred by management of the Group for business trips, as well as the recognition of equity-settled share-based payments in respect of shares granted to certain employees and management of the Group pursuant to the share award scheme of the Company on 28 January 2016.

Other Expenses

Other expenses, which were mainly composed of research and development costs, increased by approximately 115.5% from approximately RMB7.1 million for the six-month period ended 30 June 2015 to approximately RMB15.4 million for the six-month period ended 30 June 2016. This significant increase was mainly because the Group had incurred more spending on research and development of new products and technology during the six-month period ended 30 June 2016, compared to the same period in 2015. As a result of the Group's efforts on research and development, the two subsidiaries in the PRC which the Group acquired in April 2015 were endorsed as New and High Technology Enterprises.

Other Losses

Other losses were composed of bad debt expenses and loss on disposal of property, plant and equipment. Other losses increased dramatically by approximately 7,837.1% from approximately RMB0.06 million for the six-month period ended 30 June 2015 to approximately RMB4.9 million for the six-month period ended 30 June 2016. This increase in other losses was mainly due to the increase in the provision of bad debts for long outstanding receivables (none for the six-month period ended 30 June 2015) and the increase in loss on disposal of property, plant and equipment due to the replacement of higher efficiency machines during the six-month ended 30 June 2016.

Finance Costs

Finance costs decreased by approximately 10.2% from approximately RMB124.4 million for the six-month period ended 30 June 2015 to approximately RMB111.6 million for the six-month period ended 30 June 2016. Finance costs as a percentage of turnover reduced from approximately 3.2% for the six-month period ended 30 June 2015 to approximately 3.0% for the six-month period ended 30 June 2016 mainly due to the cut in the RMB benchmark loan interest rates for financial institutions by the People's Bank of China.

Taxation

The Group's taxation decreased by approximately RMB9.4 million, or approximately 14.7%, from approximately RMB63.8 million for the six-month period ended 30 June 2015 to approximately RMB54.4 million for the six-month period ended 30 June 2016. This decrease in taxation was in line with the decrease in taxable income during the period under review.

Financial Position and Liquidity

As at 30 June 2016, total assets of the Group amounted to approximately RMB12,299.0 million (31 December 2015: RMB12,119.3 million).

Non-current assets decreased slightly by approximately 1.3% from approximately RMB1,234.2 million as at 31 December 2015 to approximately RMB1,217.5 million as at 30 June 2016. This decrease was mainly due to the decrease in the value of the Group's interest in associates caused by the significant loss in one of the Group's associates, compensated by the addition of property, plant and equipment during the period under review.

Current assets increased by approximately 1.8% from approximately RMB10,885.1 million as at 31 December 2015 to approximately RMB11,081.5 million mainly due to the increase in inventories and in particular goods not yet delivered as at 30 June 2016.

Total interest-bearing bank borrowings decreased slightly by approximately 1.4% from approximately RMB3,770.2 million as at 31 December 2015 to approximately RMB3,716.3 million as at 30 June 2016. Of the Group's total bank loans and other borrowings as at 30 June 2016, approximately 93.0% 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 owners of the Company was approximately RMB4,986.9 million as at 30 June 2016, approximately 1.9% higher than the same as at 31 December 2015 of approximately RMB4,895.9 million.

As at 30 June 2016, 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 RMB117.5 million over total equity of approximately RMB4,987.9 million as at 30 June 2016, increased from approximately -5.2% as at 31 December 2015 to approximately 2.4%. As compared with the net-debt-to-equity ratio of 32.9% as at 30 June 2015, the net-debt-to-equity ratio of the Group as at 30 June 2016 had improved. The improvement in net-debt-to-equity ratio as compared with 30 June 2015 was mainly due to the issue of new shares by the Company on 6 August 2015 and the improvement of working capital management by the Group during the six-month period ended 30 June 2016.

The Group's borrowings are mainly denominated in Renminbi ("RMB") and carry interest at premium over the RMB benchmark loan interest rates for financial institutions set by the People's Bank of China. As the Group's revenue is mainly denominated in RMB and major expenses are denominated either in RMB or HK Dollars, the Group faces relatively low currency risk.

During the six-month period ended 30 June 2016, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB2,484,000 (2015: RMB879,000) for cash proceeds of approximately RMB1,096,000 (2015: RMB817,000), resulting in a loss on disposal of approximately RMB1,388,000 (2015: RMB62,000).

As at 30 June 2016, the Group pledged certain of its buildings and machinery with an aggregate carrying amount of approximately RMB221,738,000 and approximately RMB120,096,000 respectively (31 December 2015: RMB209,650,000 and RMB97,442,000 respectively) to certain banks to secure credit facilities granted to the Group.

During the six-month periods ended 30 June 2016 and 2015, no interest expense has been capitalised.

Contingent Liabilities

As at 30 June 2016, neither the Group nor the Company had any significant contingent liabilities.

Use of Net Proceeds received from the Initial Public Offering (the "Listing")

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$448.1 million (or equivalent to approximately RMB370.0 million), which were intended to be applied in the manner consistent with that in the prospectus of the Company dated 10 April 2012 had mostly been utilized. As at the date of this announcement, approximately HK$115.0 million in aggregate of the net proceeds allocated to set up production facilities for aluminium alloy and double capacity conductors had been fully utilised, approximately HK$97.0 million in aggregate of the net proceeds allocated to set up a manufacturing facility in South Africa had been fully utilized, approximately HK$74.0 million of the net proceeds allocated for the upgrade and expansion of existing production facilities and enhancement of research and development capabilities had been fully utilised, approximately HK$14.1 million of the net proceeds allocated for acquisitions had been fully utilised by the acquisition of Jiangsu Zengyang Investment Company Limited in 2013, and out of approximately HK$148.0 million of the net proceeds which was allocated for the expansion of the Group's production facilities for high and ultra-high voltage cables, only approximately HK$69.9 million had been utilized.

Interim Dividend

The Board does not recommend declaration and payment of any interim dividend for the six-month period ended 30 June 2016 (2015: HK2.5 cents).

Employees and Remuneration

As at 30 June 2016, the Group had a total of 3,695 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.

The Board adopted a share award scheme on 9 September 2015 as an incentive to recognize the contributions by employees, executives, officers and directors of the Group, to retain them for their continuing operation and development of the Group and to attract suitable personnel for further development of the Group. On 28 January 2016, the Board resolved to grant an aggregate of 35,300,000 shares (the "Awarded Shares") in the capital of the Company to 21 selected officers and employees (the "Selected Employees") of the Group pursuant to the share award scheme, of whom (i) Mr. Chu Hui, Ms. Xia Yafang, Mr. Jiang Yongwei and Mr. Hao Minghui are executive Directors, and (ii) the remaining 17 Selected Employees are senior management of the Group. 25% of the Awarded Shares granted to the Selected Employees were vested on 1 April 2016, and the rest shall vest in equal proportions (i.e. 25%) on each of 1 April 2017, 1 April 2018 and 1 April 2019 respectively.

Property, Plant and Equipment

The Group's property, plant and equipment increased from approximately RMB789.8 million as at 31 December 2015 to approximately RMB804.9 million as at 30 June 2016, representing an increase of approximately 1.9%. This increase was mainly attributed to the addition of machineries for power cable production lines and photovoltaic power supply systems installed for self electricity consumption by the Group during the period under review.

Outlook and Plan

Despite downward pressure on the PRC economy, the construction of power grids is an important infrastructure which plays a crucial role in expediting economic progress and rural area development in the PRC. Currently, the coverage of automated power distribution in the PRC is approximately 20%, which is far lower than the average of 50% in other developed countries, such as the United States, Japan, Germany and South Korea. Therefore, distribution network construction in the PRC will press forward with development in the coming years. According to the Action Plan of Distribution Network Construction and Upgrade (2015–2020) published by the National Energy Administration of China, the aggregate investments in distribution network construction and upgrade from 2015 to 2020 should not be lower than RMB2 trillion. During the "13th Five-Year-Plan" period (2016-2020), the aggregate investments should also not be lower than RMB1.7 trillion. The Plan aims to raise the reliability rate of power supply in major cities and urban areas to 99.99% and 99.88% respectively by 2020 with comprehensive enhancement of overall stability of power supply in the PRC.

In response to the state policy, State Grid Corporation of China ("SGCC") and China Southern Power Grid Company Limited ("CSG") intend to invest RMB439 billion and RMB96 billion, respectively, in power grid construction in order to support the state policy in 2016.

On the other hand, in order to rectify severe air pollution and resolve problem of imbalanced geographical distribution of new energy, the development of UHV grids will be accelerated. The National Energy Administration has drawn up a plan known as "five vertical and five horizontal transmission lines" (五縱五橫). Under this plan, it is expected that there will be a total of 27 UHV lines by 2020. Of these lines, the PRC government approved eight 2 AC and 6 DC (兩交六直) UHV lines in 2015, representing a significant increase as compared to 3

UHV lines in 2014. According to industry research, UHV transmission lines will increase at a compound annual growth rate of 23.4% from 2015 to 2020. Bare wires for long distance power transmission will benefit from the construction of UHV grids in anticipation of growing demand.

Currently, the PRC is also actively promoting electricity generation by new energies to achieve sustainable development. According to the statistics from SGCC, newly installed capacity of solar energy and wind power generations both recorded a new high in 2015 and installed capacity of photovoltaic power generation dethroned Germany for the first time. National installed capacity of new energy generation is expected to reach 410 million kilowatts in 2020, of which 240 million kilowatts and 150 million kilowatts will be generated by wind power and solar energy, respectively. When compared to tidal energy and wind power, photovoltaic and solar energy generation benefits from the lack of emission and noise and a more mature application technology, thus becoming the focal point of the promotion of new energy development nationwide. The National Energy Administration of China issued the "Notice on Implementation Plan of PV Power Generation Construction 2016" and the construction scale of new photovoltaic power plants amounted to 18.1GW, representing an increase of 1.6% over the scale of 17.8GW in 2015. The market anticipates that the total investments in photovoltaic power plants for 2016 may exceed RMB200 billion. In order to better capture the opportunities arising from photovoltaic power generation and accumulate the engineering, procurement and construction ("EPC") project experience of photovoltaic power generation, the Group is installing photovoltaic power generation systems in its own factories, which are set to enter into construction phase and will replace existing daytime electricity supply and reduce operation costs upon commencement of operation.

In addition to the development of new energies, the PRC also introduced other measures to improve the environment. The National Development and Reform Commission of PRC published the "Guidelines on the Development of Electric Vehicle Charging Infrastructure (2015-2020)", setting a target of increasing the number of battery charging and swapping stations by 12,000 and charging piles by over 4.8 million by 2020 in order to meet the demand for the charging of 5 million electric vehicles nationwide. Riding on the national trend of developing electric vehicles, the Group has already produced wires for electric vehicles with TUV certification. The Group will actively seek cooperation with manufacturers of electric vehicles and owners of charging piles/stations in the future to supply wires for electric vehicles and charging piles/stations. The Group may even take part in the establishment and management of charging piles/stations.

Although uncertainties in the global economy have brought challenges to its operating environment, the Group will accelerate the consolidation of the cable industry, expand its market share and strengthen its leading position in the industry for its long-term benefits. In the meantime, the Group will spare no efforts in developing business and exploring more opportunities for growth. Besides cooperation with strategic partners, the Group is also actively discussing EPC projects with various parties, which should yield fruitful results in the future. In order to capture overseas opportunities arising from state policies, the Group is also endeavouring to approach other state-owned companies regarding "One Belt, One Road" related projects, hoping to create more values for the shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six-month period ended 30 June 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. With effect from 30 May 2016, Mr. Rui Fubin resigned as the Chairman, an executive Director and the chairman of the corporate governance committee (the "Corporate Governance Committee") of the Company due to his retirement, while Mr. Chu Hui, an executive Director, the chief executive officer of the Company and a member of the Corporate Governance Committee was appointed as the Chairman and the chairman of the Corporate Governance Committee. As a result, the Company has not had a separate chairman and chief executive officer since 30 May 2016, with Mr. Chu Hui performing both these two roles. The Board believes that vesting both the roles of chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired as all major decisions are made in consultation with the Board members and the senior management of the Company. The current arrangement will enable the Company to make and implement decisions promptly and efficiently. The Group nevertheless will review the structure from time to time in light of the prevailing circumstances.

Save as disclosed above, the Company has complied with all the applicable code provisions of the CG Code during the six-month period ended 30 June 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on securities transactions by the 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 to the Listing Rules (the "Model Code"). Having made specific enquiry of all the Directors, all the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six-month period ended 30 June 2016.

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 they possess inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees during the six-month period ended 30 June 2016 was noted by the Company.

AUDIT COMMITTEE

The audit committee of the Board (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 2016.

During the period under review and as at the date of this announcement, the members of the Audit Committee were Mr. Poon Yick Pang Philip (chairman), Mr. He Zhisong and Mr. Yang Rongkai, all being independent non-executive Directors.

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 2016 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 Board, and the management and staff of the Group for their dedication and contributions.

By order of the Board
Chu Hui
Chairman

Hong Kong, 26 August 2016

As at the date of this announcement, the Board comprises four executive Directors, namely 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.