江南集團有限公司
Jiangnan Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1366

2016
INTERIM REPORT

CONTENTS

CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the 2016 interim results report of Jiangnan Group Limited (the "Company", together with its subsidiaries, "Jiangnan" or the "Group") for the six-month period ended 30 June 2016 to our shareholders.

For the first half of 2016 under review, the global economy was relatively volatile in light of the uncertainties associated with Brexit and interest rate hike by the US Federal Reserve. Under an overall sluggish international market sentiment, China's economy was undergoing a phase of structural adjustment, thus slowing down its overall growth. According to the statistics from the National Bureau of Statistics of the People's Republic of China (the "PRC"), the growth of the gross domestic product (the "GDP") of the PRC in the first half of 2016 had increased by only 6.7% period-on-period. The contribution of the secondary industry to the GDP continued to decrease, reflecting the gloomy sentiment in the industrial and manufacturing sectors. Commodity prices including copper price remained weak. During the period under review, the average copper price decreased by approximately 20.7% as compared to that in the corresponding period in 2015 while the average aluminum price decreased by approximately 22.2% period-on-period. The price of the Group's products decreased mainly due to the declining raw material prices, which outweighed the increase in the Group's sales volume, resulting in a slight decline in the Group's turnover during the period under review.

Thanks to the continuous implementation of the "One Belt, One Road" policy and the commencement of the construction of smart grids in the country, the demand for cables remained in place in the PRC market during the period under review. Driven by constant development in the construction and upgrade of power distribution networks, construction of urban smart grids and upgrade of investment plans for rural power grids, the Group recorded a sales volume growth of 50.4% (reaching 85,330 km) and 10.5% (reaching 19,219 km) for power cables (a major product of the Group) and special cables during the period under review, respectively. Taking into account the transportation costs of bare wires used for long-distance power transmission, the Group sold bare wires selectively, thereby reducing the sales volume of bare wires during the period under review by 36.5% to 12,929 tonnes as compared to that in the corresponding period in 2015.

Notwithstanding the relatively unfavorable external environment, the Group's total turnover only mildly decreased by 3.2% to RMB 3,781.3 million. As the Group prices its products on a cost-plus basis, the gross profit margin for the period under review remained steady at around 15.7%. During the period under review, the profit attributable to owners of the Company declined by 23.9% to approximately RMB 219.4 million due to the decrease in gross profit, increase in operating expenses and 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.

Proactively Coping with Changes in the Macro-Environment

Fluctuations in the prices of non-ferrous metals have posed many challenges to the companies in the power cable industry, which use copper and aluminium as their key raw materials. Meanwhile, as a result of the "de-capacity" measure put forward by the PRC government in its economic reforms, among others, enterprises in the industry were required to make timely adjustments to their operating strategies in order to achieve further developments. As early as in 2015, the Group had noted changes in the macro-environment and the industry, and had reacted accordingly. On 29 April 2015, the Group acquired 100% interest in New Sun Investments Limited and Kai Da Investments Limited, which provided the Group with a variety of special wire products with wide applications, including environment-friendly flexible fireproof cables, 10kV cross-linked polyethylene insulation materials and copper belts for cable shielding. As such, the Group was able to expand its revenue sources and also enhance its client base with the State Grid Corporation of China ("SGCC").

CHAIRMAN'S STATEMENT

In addition to the efforts made in business consolidation, and mergers and acquisitions, as well as exploration of business development channels, the Group also actively sought opportunities for strategic cooperation so as to develop its international markets and improve its global sales networks. The Group had 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") on 8 December 2015, pursuant to which, products of the Group would be put into use with high priority in the international projects of Gezhouba Engineering, while Gezhouba Engineering would participate in the international projects of the Group. On 7 April 2016, the Group and Gezhouba Engineering further entered into a supplemental strategic cooperation agreement, pursuant to which, Gezhouba Engineering would become a distributor of the Group and leverage on its overseas establishments to sell and promote products of the Group. Accordingly, the Group would not only be able to extend to and deepen its businesses downstream in its industry chain, but also establish its overseas brand presence, thereby laying a solid foundation for the Group's development in the overseas markets.

Prospects

2016 is the first year in which the PRC government implements the "13th Five-Year Plan". With deepened permeation of the use of the internet and introduction of further State policy guidelines by the PRC government, new opportunities for development will emerge in the power cable industry. As stated in the Action Plan of Distribution Network Construction and Upgrade (2015–2020) published by the National Energy Administration of China (the "National Energy Administration"), investments in the construction and upgrade of national power distribution grids will amount to no less than RMB 2,000 billion from 2015 to 2020, while the accumulated investments to be made during the "13th Five-Year Plan" period will amount to no less than RMB 1,700 billion. Furthermore, in light of the uneven distribution of electricity in the PRC and the need for energy-saving and emission-reduction, the development of UHV lines has become an urgent mission. Currently, SGCC has completed the construction of "four AC and four DC (四交四直)" UHV lines, while the "three AC and six DC (三交六直)" UHV lines are still under construction and the "one DC (一直)" UHV line has been approved for construction. The total wire length of UHV transmission grids that are in operation, under construction and approved for construction is 30,000 km and the capacity of power conversion (current switching) exceeds 310 million kVA (kW). According to the estimate of the National Energy Administration, the PRC's capacity of power conversion is expected to be 2.1 billion kVA, with wire length reaching 1.01 million km in 2020. This basket of measures regarding construction and reforms of power transmission and distribution networks will bring continuous and vast demand for the Group's products. Accordingly, the Group will capture the opportunities arising from the construction and upgrade of the national power networks, by making continuous efforts in enriching its product profile and improving its product quality, with a view to boost the sales of its power cable products and thereby increasing its market share.

In addition, the Group will also endeavor to identify suitable business opportunities in the downstream segment and extend to the international markets. Upon the establishment of strategic partnership with Gezhouba Engineering, Gezhouba Engineering will participate in the international projects secured by the Group and become a distributor of the Group's products, while the Group's cable products will be put into use with high priority in Gezhouba Engineering's self-developed international projects. In the meantime, the Group shall leverage on the experience of Gezhouba Engineering to further develop its engineering, procurement and construction ("EPC") projects and enhance project cooperation with a view to boost the growth in the sales of its products for the EPC projects.

CHAIRMAN'S STATEMENT

Against the backdrop of the objectives of the PRC government to achieve energy conservation and emission reduction as well as steady GDP growth, the development of low-pollution new energy cars, electric cars, distributed energy, combined supply of gas, cooling/heating and power, and energy-storing technology reforms will be a top-priority for the PRC. However, power charging has become one of the bottle-neck issues in promoting these product developments and technology reforms. To tackle this problem, the National Energy Administration issued the "Guiding Opinions on Energy Related Work for 2016" on 1 April, 2016, setting out the plans to construct over 2,000 charging stations, 100,000 distributed public charging piles and 860,000 private charging piles. Enhancing the construction of charging facilities will drive the demand for power batteries. In light of the opportunities arising from these government initiatives, the Group has developed supporting power cables for electric cars and obtained TUV certification. The Group will continue to step up its investments in technology and seek cooperation with electric car manufacturers in order to broaden its income stream and expand its client base.

Looking forward to the second half of 2016, despite increasing uncertainties in the Group's external business environment caused by volatile macro-conditions, the Group will ride on the trend of mergers and acquisitions in the industry to seek suitable opportunities for integration to expand its product mix continuously, and further extending its services to its downstream industry, thus creating a more comprehensive structure for the Group in its industrial chain. The Group will also proactively explore cooperation opportunities in relation to EPC projects arising from the initiative of "One Belt, One Road" by approaching relevant strategic partners and expanding global business networks to enhance its presence overseas, with a view to taking the Group's business to a higher level.

The Group believes that, with the implementation of the "13th Five-Year Plan" and related favourable State measures in the future, it will drive steady improvements in its overall business performance, given its strength in technology and its scale in the cable industry, as well as the adaptability and capabilities of its management team, thus generating better returns for its shareholders and investors.

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 of directors of the Company, and the management and staff of the Group for their dedication and contribution.

Chu Hui
Chairman, Chief Executive Officer and Executive Director
Hong Kong, 26 August 2016

CORPORATE INFORMATION

Executive Directors

Chu Hui *(Chairman, Chief Executive Officer and Chairman of the Corporate Governance Committee)*
Xia Yafang
Jiang Yongwei
Hao Minghui

Independent Non-Executive Directors

He Zhisong *(Chairman of the Nomination Committee and the Remuneration Committee)*
Yang Rongkai
Poon Yick Pang Philip *(Chairman of the Audit Committee)*

Authorized Representatives

Chan Man Kiu
Xia Yafang

Company Secretary

Chan Man Kiu, CPA, FCCA

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Hong Kong Branch Share Registrar and Transfer Office

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Principal Place of Business in Hong Kong

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Principal Place of Business in China

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Jiangsu Province, China

Independent Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants, Hong Kong

Legal Advisors

Conyers Dill & Pearman (Cayman) Limited (Cayman Islands laws)
Leung & Lau (Hong Kong laws)
AllBright Law Offices (PRC laws)

Stock Code

1366

Website

www.jiangnangroup.com

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 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%	–

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 price. 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%).

Wires and cables 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 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 in 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period Attributable to Owners of the Company

Profit 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 and 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 Jaunary 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

The Group's treasury policy is to keep its investment costs under control and manage the returns of its investments efficiently. Short-term borrowings work better than long-term borrowings to finance the Group's working capital needs. Any excess cash that is generated from the Group's operations will be placed in short-term and low-risk banking products that are not sensitive to foreign exchange fluctuations to maximize the Group's investment returns.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's borrowings are mainly denominated in Renminbi 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 machineries 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 interim report, 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 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 for 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).

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, 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 "13th Five-Year 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SGCC and China Southern Power Grid Company Limited 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 "two AC and six DC (兩交六直)" UHV lines in 2015, representing a significant increase as compared to three 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 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 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 the 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.

UNAUDITED INTERIM RESULTS

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

	Notes	Six-month period ended	
		30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (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**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2016

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Warrant reserve RMB'000	Employee share-based compensation reserve RMB'000 (Note 16)	Shares held for share award scheme RMB'000 (Note 16)	Non-distributable reserve RMB'000 (Note b)	Statutory reserve RMB'000 (Note c)	Translation reserve RMB'000	Accumulated profits RMB'000	Subtotal RMB'000	Non-controlling interest RMB'000	Total RMB'000
As at 1 January 2015 (audited)	27,364	805,135	148,696	1,200	–	–	77,351	258,092	(23,666)	1,935,694	3,229,866	–	3,229,866
Exchange differences arising from translation of a foreign operation	–	–	–	–	–	–	–	–	(2,201)	–	(2,201)	–	(2,201)
Profit for the period	–	–	–	–	–	–	–	–	–	288,182	288,182	–	288,182
Total comprehensive income for the period	–	–	–	–	–	–	–	–	(2,201)	288,182	285,981	–	285,981
Issue of shares upon acquisition of subsidiaries (Note 13(a))	2,381	583,425	–	–	–	–	–	–	–	–	585,806	–	585,806
Issue of shares upon exercise of warrants (Note 13(b))	240	40,836	–	(240)	–	–	–	–	–	–	40,836	–	40,836
2014 final dividend recognised as distribution	–	–	–	–	–	–	–	–	–	(108,789)	(108,789)	–	(108,789)
Transfers	–	–	–	–	–	–	–	24,972	–	(24,972)	–	–	–
As at 30 June 2015 (unaudited)	29,985	1,429,396	148,696	960	–	–	77,351	283,064	(25,867)	2,090,115	4,033,700	–	4,033,700
As at 1 January 2016 (audited)	**32,951**	**1,983,889**	**148,696**	**960**	**–**	**(20,374)**	**77,351**	**341,203**	**(29,923)**	**2,361,172**	**4,895,925**	**–**	**4,895,925**
Exchange differences arising from translation of a foreign operation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,523**	**–**	**1,523**	**–**	**1,523**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**219,415**	**219,415**	**(971)**	**218,444**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,523**	**219,415**	**220,938**	**(971)**	**219,967**
Incorporation of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,000**	**2,000**
Expiration of warrants	**–**	**–**	**–**	**(960)**	**–**	**–**	**–**	**–**	**–**	**960**	**–**	**–**	**–**
Purchase of shares under share award scheme	**–**	**–**	**–**	**–**	**–**	**(33,515)**	**–**	**–**	**–**	**–**	**(33,515)**	**–**	**(33,515)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**10,479**	**–**	**–**	**–**	**–**	**–**	**10,479**	**–**	**10,479**
Shares vested under share award scheme	**–**	**–**	**–**	**–**	**(7,839)**	**12,525**	**–**	**–**	**–**	**(4,686)**	**–**	**–**	**–**
2015 final dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(106,963)**	**(106,963)**	**–**	**(106,963)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,126**	**–**	**(27,126)**	**–**	**–**	**–**
As at 30 June 2016 (unaudited)	**32,951**	**1,983,889**	**148,696**	**–**	**2,640**	**(41,364)**	**77,351**	**368,329**	**(28,400)**	**2,442,772**	**4,986,864**	**1,029**	**4,987,893**

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

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

(c) As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Group are required to maintain a statutory surplus fund. Appropriation to such reserve is made out of net profit after taxation as reflected in the statutory financial statements of the Group's PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2016

	Six-month period ended	
	30.6.2016 RMB'000 (unaudited)	30.6.2015 RMB'000 (unaudited)
Cash used in operations	**(131,352)**	(987,325)
PRC income tax paid	**(89,088)**	(69,440)
Net cash used in operating activities	**(220,440)**	(1,056,765)
Investing activities		
Release of pledged bank deposits	**2,087,826**	761,121
Interest received	**33,846**	25,067
Deposits paid for acquisition of property, plant and equipment	**11,167**	(21,973)
Proceeds from disposal of property, plant and equipment	**1,096**	817
New pledged bank deposits raised	**(2,051,442)**	(968,562)
Purchase of property, plant and equipment	**(47,111)**	(9,829)
Purchase of land use rights	**(7,439)**	–
Repayment from an associate	**–**	1,968
Net cash outflow from acquisition of subsidiaries	**–**	(34,449)
Advance to an associate	**–**	(1,001)
Net cash generated from (used in) investing activities	**27,943**	(246,841)
Financing activities		
Repayment of bank borrowings	**(3,002,057)**	(1,655,713)
Interest paid	**(111,648)**	(124,391)
Purchase of shares under share award scheme	**(33,515)**	–
Repayment to directors	**(1,312)**	–
Repayment of obligation under a finance lease	**(109)**	(103)
New bank borrowings raised	**2,948,190**	2,373,800
Capital contribution from a non-controlling interest of a newly incorporated subsidiary	**2,000**	–
Advances from directors	**686**	1,528
Dividends paid	**–**	(108,789)
Proceeds from issue of share upon exercise of warrants	**–**	40,836
Net cash (used in) generated from financing activities	**(197,765)**	527,168
Net decrease in cash and cash equivalents	**(390,262)**	(776,438)
Cash and cash equivalents at beginning of the period	**2,131,286**	1,666,153
Effect of foreign exchange rate changes	**1,301**	(354)
Cash and cash equivalents at end of the period, represented by bank balances and cash	**1,742,325**	889,361

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
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.

NOTES TO THE 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover and Segment Information *(continued)*

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 results		
— 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Turnover and Segment Information *(continued)*

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

	Six-month period ended	
	30.6.2016	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 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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: RMB1,333,000) 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 (unaudited)	30.6.2015 (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 RMB'000 (unaudited)	30.6.2015 RMB'000 (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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Property, Plant and Equipment *(continued)*

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 RMB'000 (unaudited)	31.12.2015 RMB'000 (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 RMB'000 (unaudited)	31.12.2015 RMB'000 (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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Trade and Other Payables

	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (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 RMB'000 (unaudited)	31.12.2015 RMB'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. Bank Borrowings

	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (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 RMB'000 (unaudited)	31.12.2015 RMB'000 (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 RMB'000 (unaudited)	31.12.2015 RMB'000 (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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 will carry 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 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 RMB 163,200,000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Capital Commitments

	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Capital expenditures contracted 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 Awarded Shares shall vest on each of 1 April 2016, 1 April 2017, 1 April 2018, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. Share Award Scheme *(continued)*

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 December 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 '000	**Cost of purchase** HK$'000	**Cost of purchase** 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 RMB'000 (unaudited)	30.6.2015 RMB'000 (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.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

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

As at 30 June 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions in the issued shares of the Company

Name of Director	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of interest (Note 1)
Mr. Chu Hui	Interest of controlled corporation *(Note 2)*	1,248,800,000	30.62%
	Beneficial owner	169,286,000 *(Note 3)*	4.15%
Ms. Xia Yafang	Beneficial owner	2,112,000 *(Note 4)*	0.05%
	Interest of spouse *(Note 5)*	2,000,000 *(Note 5)*	0.05%
Mr. Hao Minghui	Beneficial owner	2,000,000 *(Note 6)*	0.05%
Mr. Jiang Yongwei	Beneficial owner	2,000,000 *(Note 7)*	0.05%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 30 June 2016 (i.e. 4,078,866,000 shares) has been used for the calculation of the approximate percentage of interest.

(2) The shares were held by Power Heritage Group Limited, which is wholly-owned by Mr. Chu Hui. Mr. Chu Hui is deemed to be interested in the shares held by Power Heritage Group Limited by virtue of the SFO.

(3) These shares represent (i) 167,786,000 shares held by Mr. Chu Hui; and 1,500,000 shares awarded to him pursuant to the share award scheme (the "Scheme") of the Company which are yet to be vested.

(4) These shares represent (i) 612,000 shares held by Ms. Xia Yafang; and (ii) 1,500,000 shares awarded to her pursuant to the Scheme which are yet to be vested.

(5) These shares represent (i) 500,000 shares held by Mr. Han Wei, who is the spouse of Ms. Xia Yafang; and (ii) 1,500,000 shares awarded to him pursuant to the Scheme which are yet to be vested. Under the SFO, Ms. Xia Yafang is deemed to be interested in all the shares in which Mr. Han Wei is interested.

(6) These shares represent (i) 500,000 shares held by Mr. Hao Minghui; and (ii) 1,500,000 shares awarded to him pursuant to the Scheme which are yet to be vested.

(7) These shares represent (i) 500,000 shares held by Mr. Jiang Yongwei; and (ii) 1,500,000 shares awarded to him pursuant to the Scheme which are yet to be vested.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

Substantial Shareholders' and Other Persons' Interests in the Shares and Underlying Shares of the Company

As at 30 June 2016, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register maintained by the Company under section 336 of the SFO:

Long positions in the issued shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of ordinary shares held	Approximate percentage of interest (Note 1)
Substantial Shareholders			
Ms. Rui Yiyun	Interest of spouse *(Note 2)*	1,418,086,000	34.77%
Power Heritage Group Limited	Beneficial owner	1,248,800,000 *(Note 3)*	30.62%
Mr. Rui Yiping	Beneficial owner	448,000,000	10.98%
Ms. Pan Lanfen	Interest of spouse *(Note 4)*	448,000,000	10.98%
Other persons			
Value Partners Group Limited	Interest of controlled corporations *(Note 5)*	306,764,000	7.52%
Value Partners High-Dividend Stocks Fund	Beneficial owner	295,558,000	7.25%
The Company	Interest of controlled corporation	297,480,000 *(Note 6)*	7.29%
Extra Fame Group Limited	Person having a security interest in shares	297,480,000 *(Note 6)*	7.29%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 30 June 2016 (i.e. 4,078,866,000 shares) has been used for the calculation of the approximate percentage of interest.

(2) Under the SFO, Ms. Rui Yiyun, the spouse of Mr. Chu Hui, is deemed to be interested in all the shares in which Mr. Chu Hui is interested.

(3) These shares are held by Power Heritage Group Limited, a company which is wholly-owned by Mr. Chu Hui.

(4) Under the SFO, Ms. Pan Lanfen, the spouse of Mr. Rui Yiping is deemed to be interested in all the shares in which Mr. Rui Yiping is interested.

(5) These shares are held by Value Partners Limited, which is wholly-owned by Value Partners Hong Kong Limited, which is wholly-owned by Value Partners Group Limited. Value Partners Group Limited is deemed to be interested in the shares held by Value Partners Limited by virtue of the SFO.

(6) These shares have been pledged to Extra Fame Group Limited, a company which is wholly-owned by the Company. The Company is deemed to be interested in the shares held by Extra Fame Group Limited by virtue of the SFO.

Save as disclosed above, as at 30 June 2016, the Company has not been notified of any persons who had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO.

As at 30 June 2016, Mr. Chu Hui was a director of Power Heritage Group Limited. Save as disclosed above, as at 30 June 2016, none of the Directors was a director or an employee of a company which had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 the 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 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% of the Awarded Shares) 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Issuers 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 and this interim report.

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

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is a vital mission in the process of globalization of an enterprise. The Group has been maintaining a high standard of social responsibility since its incorporation. The Group considered "contributing to society with the wealth gained therein and to be a responsible corporate citizen" as a long-term and meaningful mission. In the first half of 2016, the Group focused on the creation of social value while ensuring its profitability in order to contribute to the society and realize the integration and consolidation of the sustainable development of the enterprise and the society.

(1) Protection of the Interest of the Stakeholders

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

(2) Protection of the Interest of the Staff

The Group respects and protects the interest of its staff. The Group has devoted much effort in its personnel training. As the Group also cares about the health, safety and satisfaction of its staff, it has created a harmonious and stable employment relationship with its staff which encourages progress for both the staff and the Group.

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

For the education and training of its staff, the Group has provided all-rounded and persistent occupational training to its staff. These training programs aim at inspiring the work enthusiasm of the staff, enhancing the quality of the staff in all aspects and promoting their growth. The Group also shares corporate and industry information on WeChat with its staff.

For occupational health and safety, the Group strictly follows the occupational health and safety management system in its operation. The dangerous elements in the work process are monitored at all times so that the production and operation activities are scientific, systematic and safe throughout the whole process. Various staff experiencing activities were organized during the reporting period. The Group tried to prevent occupational hazards at their early stage, so as to create a safe and healthy working and living environment for its staff. During the reporting period, no event that affected the health and safety of the staff had occurred.

(3) Environmental Protection and Sustainable Development

The Group has established a comprehensive environmental management system, which improves the daily control of the environmental protection work, and incorporates elements of the "low-carbon, energy saving, green, environment-friendly" ideology into every detail of the Group's operations.

To ensure that the Group's carbon emission complies with the required level under ISO 14064-1: 2006, the Group has engaged China Quality Certification Centre to carry out an independent third-party external examination of the Group's greenhouse gas emission every year. The certification issued by China Quality Certification Centre in June 2016 revealed that the Group's wholly-owned subsidiary Wuxi Jiangnan Cable has complied with the required level of carbon emission under ISO 14064-1: 2006.

CORPORATE SOCIAL RESPONSIBILITY

(4) Public Relation and Social Welfare

The Group adheres to the operation philosophy of "Care for the community, people-oriented, morality and profit". In order to carry out the Group's social responsibilities, it has focused on active participation in community activities and charity events in the society. Over the years, the Group has made donations to different causes, including cultural education, sports, disaster relief, poverty relief, medicine and sanitation. It has also taken part in different charity activities, such as blood donation.

In the second half of 2016, as a leading enterprise in the industry in the PRC, the Group will continue to carry out its economic, social and environmental responsibilities. It will use its best endeavors to fulfill and realize the expectation of all stakeholders and focus on the creation of social values.