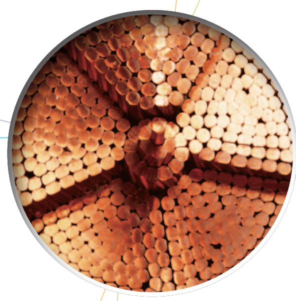
江南集團有限公司
Jiangnan Group Limited
(Incorporated in the Cayman Islands with limited liability)

One of the Largest Suppliers of **Electric Wires and Cables**

Interim Report 2017



Stock Code: 1366

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CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the 2017 interim results report of Jiangnan Group Limited (the "Company", together with its subsidiaries, "Jiangnan Group" or the "Group") for the six–month period ended 30 June 2017 to our shareholders.

Business Environment

In the first half of 2017, the national economy in the People's Republic of China (the"PRC") grew steadily. According to the National Bureau of Statistics of China, in the first half of 2017, China's GDP grew by 6.9% over the corresponding period in 2016 to RMB38.1 trillion. National fixed asset investments ("FAI") increased by 8.6% over the corresponding period in 2016 to RMB28.1 trillion.

Market supply and demand significantly improved as a result of the supply–side structural reform carried out by the Chinese government. With the reduction of excess production capacity in China, a large number of zombie enterprises gradually withdrew from the market which provided room for high–quality enterprises in the industry to develop their market share. According to the National Bureau of Statistics of China, in the first half of 2017, industrial investments in China reached RMB 10.4 trillion, representing an increase of 4.6% over the corresponding period in 2016.

In terms of electricity consumption, according to the statistics of China Electricity Council which is a joint organisation of China's power enterprises and institutions approved to be established by the State Council, the total electricity consumption of the whole country was 2,950.8 billion kilowatt-hours in the first half of 2017, representing an increase of 6.3% over the same period in 2016. The electricity consumption growth increased by 3.7 percentage points over the same period in 2016. In respect of the supply and transmission of electricity, the national infrastructure production capacity was 50.56 million kilowatts for the first half of 2017, which was less than that in the same period in 2016 by 6.43 million kilowatts. The major power generation enterprises in China completed investments of RMB104.6 billion in the first half of 2017, which was 13.5% less than that in the same period in 2016. With respect to national power investments completed in the first half of 2017, the investments in water power, thermal power, nuclear power and wind power amounted to RMB 21.4 billion, RMB 31.3 billion, RMB18.3 billion and RMB 20.6 billion respectively, which decreased from those in the corresponding period in 2016 by 5.5%, 17.4%, 16.0% and 15.6% respectively. The investments completed under the national grid project in the first half of 2017 amounted to RMB239.8 billion, representing an increase of 10.0% over that in the corresponding period in 2016. Among such completed investments, the investments related to power grids amounted to RMB 226 billion, which represented an increase of 7.6% from that in the corresponding period in 2016.

In the first half of 2017, in order to foster steady economic growth, local governments in China increased the investments in infrastructure projects and accelerated the construction of transportation projects through public–private–partnerships. According to the National Bureau of Statistics of China, national infrastructure investments (excluding the production and supply of electricity, heat, gas and water) reached RMB5.9 trillion in the first half of 2017, representing an increase of 21.1% over the corresponding period in 2016. The construction of infrastructure had a positive impact on the demand for wires and cables.

In respect of real estate in China, in order to stabilise property prices and maintain healthy development of the property market, local governments introduced various measures according to the situations, such as restrictions on the purchase of properties and mortgages. However, the market demand for housing remained strong and real estate investments remained stable with a mild increase in the first half of 2017. According to the National Bureau of Statistics of China, in the first half of 2017, the floor space of commodity housing sold in China increased by 16.1% over the corresponding period in 2016 to 750 million square metres ("sqm") and sales increased by 21.5% to RMB5.9 trillion. Investments in real estate development in China reached RMB5.1 trillion in the first half of 2017, representing an increase of 8.5% and an increase of 1.6 percentage points over the corresponding period in 2016. During the six-month period ended 30 June 2017, the floor space of houses, the construction of which just commenced, increased by 10.6% over the corresponding period in 2016 to 860 million sqm, while the floor space of houses completed increased by 5.0% over the corresponding period in 2016 to 420 million sqm. At the end of June 2017, the floor space of houses under construction by real estate developers reached 6,920 million sqm, representing an increase of 3.4% over the corresponding period in 2016. The land area purchased by real estate developers in the first half of 2017 amounted to 100 million sqm, representing an increase of 8.8% over the corresponding period in 2016. The stable real estate investments have laid the foundation for the demand of wires and cables.

With the strong global economic growth momentum being extended to the first half of 2017, the prices of commodities including those of copper and aluminium increased, as compared with those in the six–month period ended 30 June 2016. For the six–month period ended 30 June 2017, the average price of copper on the London Metal Exchange Limited ("LME") was USD5,748 per tonne, which was 22.3% higher than that in the corresponding period in 2016. For the six–month period ended 30 June 2017, the average price of aluminium on the LME was USD1,647 per tonne, which was 6.0% higher than that in the corresponding period in 2016. As the Group prices its products on a cost–plus basis, increase in raw material prices drove up the Group's product prices, resulting in an increase in the income of the Group for the period under review.

Business Review

For the six–month period ended 30 June 2017, the Group recorded a turnover of approximately RMB4,667.6 million, representing an increase of approximately 23.4% as compared with that in the same period in 2016. The increase was attributed to the increase in prices of commodities, such as copper and aluminium, and the gain in market share by the Group due to the consolidation of the cable industry in China during the first half of 2017.

Due to the Xi'an subway "problem cable" incident in March 2017, the State Council instructed the General Administration of Quality Supervision, in conjunction with the relevant departments and units, to form a joint investigation team to investigate the Xi'an subway "problem cable" incident. The team went to Shaanxi Province and conducted in–depth investigation, and organised the replacement of the "problem cables". According to the "Investigation report to the General Office of the State Council on the status and points taken from the Xi'an subway "problem cable" incident 2017 No. 56" issued by the State Council, it was found through investigations and verification that sub–quality cables produced by Shanxi Aokai Cable Co., Ltd. from August 2014 to the end of 2016 were purchased and used for lighting, air conditioning and other circuits in the Xi'an Metro Line 3 project of Shanxi Province, which gave rise to safety risks and caused adverse effects. The incident led to serious investigations on those who should hold responsibilities and accountability, including the relevant government and regulatory departments and their personnel, the relevant engineering, procurement and construction ("EPC") entities, their execution units, project supervision units and personnel. It further strengthened the quality and safety of the products in the cable industry by holding the suppliers responsible. The Xi'an subway "problem cable" incident, which drove the consolidation of the cable industry through the elimination of unqualified players in the industry, on one hand, provided the Group with a rare opportunity. On the other hand, it generated cost pressure to the Group during the first half of 2017 as the Group had to incur additional costs in producing products to meet the new market requirements. Although the Group's turnover for the six months ended 30 June 2017 increased, due to changes in market requirements and the subsequent impact of the floods in 2016, the profit attributable to owners of the Company dropped mainly as a result of the increase in production costs in 2017, the losses incurred from the disposal of inventories and the write-down of inventories, as well as the increase in selling and distribution costs. Profit attributable to owners of the Company was approximately RMB37.6 million, representing a decrease of approximately 82.9% over the same period in 2016.

In June 2017, the Group paid a deposit of approximately RMB90 million for the acquisition of new land and buildings for expansion of its production capacity to resolve the inventory backlog issue. Such acquisition will increase the land held by the Group by approximately 120,000 sqm.

During the first half of 2017, the Group has broadened its business coverage in Southeast Asia by setting up overseas offices in Cambodia and Vietnam. Also, during the first half of 2017, the Group entered into a contract of sales amounting to more than RMB130 million for selling cables indirectly to Egypt through a building materials industrial design institute in the PRC.

Strategies and Prospects

Notwithstanding that the domestic and global economic situations are expected to remain unstable and uncertain for the second half of 2017, there will still be huge opportunities for the Group. The increase in infrastructure investments that are expected to be achieved under the "Thirteenth Five–Year Plan", the national policies such as "One Belt, One Road" Initiative, "Yangtze River Economic Zone", provincial "Free Trade Zone" and "Rural Power Grids Upgrade" will provide realistic opportunities for the development of the Group. With the construction of urban underground utility tunnels, sponge cities and smart cities, the deepening of antifouling and haze governance and the rise of low–carbon, energy–saving and environmental protection awareness, the special cable industry will enter into a new "golden" development period and the market will be promising.

Upon analysing the macro–economic situation for the second half of 2017, the Group's overall business ideology is to implement the "2–2–2" strategy, which is to adhere to two hands — one hand is operation and the other hand is management; to utilise two markets — the domestic market and the international market; to revolve two systems — the "Two–tier Production Assessment" system and the "Two–tier Back–Office Assessment" system. The key successful factors for the Group are to speed up the development of its overseas markets in accordance with the "Go Out Policy" (走出去), so as to remain the leading cable manufacturing exporter in China; to enhance the sales of extra–high voltage cables and special cables of the Group, by further developing its business with State Grid Corporation of China, China Southern Power Grid Co., Ltd, county–level electric companies, state-owned enterprises, listed companies and landmark engineering customers. In particular with the overseas markets, the Group will work with state-owned enterprises to explore business opportunities overseas and participate in EPC projects. The Group will also diversify its revenue sources gradually so that income will not only be generated from the sales of cables, but also from integrated solution services.

The retail market has always been a focus of the Group. Business risk for the Group in this market is limited as sales are mostly conducted on cash basis. In the second half of 2017, the Group will further develop its retail business by establishing offices and regional warehouses in certain cities in the PRC where the Group has a relatively strong foundation but the coverage of its retail business has been relatively thin in the past, such as Tianjin and Xian.

While the performance of its sales in the first half of 2017 was impressive, the Group is clearly aware of the existence of certain problems in its operation:

1. The Group believes that the "problem cable" incident is a one–off incident, but the Group will further enhance the awareness of its management on production quality in order to produce products of higher quality; and

2. As at 30 June 2017, the outstanding trade receivables amounted to approximately RMB4.02 billion, representing an increase of approximately 25.6% as compared with that in the same period in 2016. Although the increase was mainly due to the increase in turnover during the period under review, the Group will closely monitor and control the collection of its trade receivables so as to speed up the return of funds. The salespersons, financial personnel and internal auditors of the Group will communicate with customers regularly to request for early settlement of outstanding receivables and, if necessary, take legal actions against customers.

Acknowledgement

On behalf of the board (the "Board") of directors of the Company, I would like to express my heartfelt gratitude to the shareholders, investors, business partners, customers and suppliers of the Group for their long–lasting support and to all Board members, the management team and all employees of the Group for their efforts and commitment.

Chu Hui
Chairman and Chief executive officer
Hong Kong, 30 August 2017

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)*

Authorised Representatives

Chan Man Kiu
Xia Yafang

Company Secretary

Chan Man Kiu, CPA, FCCA

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Place of Business in China

53 Xinguandonglu, Guanlin Town, Yixing City
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 2017, the Group recorded a turnover of approximately RMB4,667.6 million, representing an increase of approximately 23.4% as compared with that in the same period in 2016, and a profit attributable to owners of the Company of approximately RMB37.6 million, representing a decrease of approximately 82.9% as compared with that in the same period in 2016. The decrease in the profit attributable to owners of the Company for the period under review was mainly due to (i) the increase in cost of goods sold from approximately RMB3,189.5 million for the six-month period ended 30 June 2016 to approximately RMB4,146.6 million for the period under review which, in turn, lowered the gross profit for the period under review to approximately RMB521.1 million (approximately RMB591.8 million for the six-month period ended 30 June 2016); and (ii) the loss from the disposal of affected products of approximately RMB102.3 million and the loss from the write–down of inventories of approximately RMB19.9 million as a result of the flood in 2016 and the changes in market requirements during the period under review (such losses were absent during the six-month period ended 30 June 2016). Such decrease was also attributable to (1) the decrease in the average selling price of power cables from approximately RMB31,529 per km for the six-month period ended 30 June 2016 to approximately RMB24,510 per km for the period under review as a result of (a) more orders of low-rated voltage power cables which carried lower selling prices being shifted by customers from smaller manufacturers to the Group due to the changes in market requirements; and (b) the discounts offered to customers during the period under review on certain products, the quality of which was slightly affected by the flood in 2016; (2) the increase in allowance for bad and doubtful debts from approximately RMB3.5 million for the six-month period ended 30 June 2016 to approximately RMB13.7 million for the period under review; and (3) the increase in selling and distribution costs from approximately RMB97.0 million for the six-month period ended 30 June 2016 to approximately RMB113.5 million for the period under review. The Group's gross profit margin for the six-month period ended 30 June 2017 has decreased by approximately 4.5% to 11.2% (six-month period ended 30 June 2016: 15.7%). Basic earnings per share for the six-month period ended 30 June 2017 was RMB0.93 cents while that for the six-month period ended 30 June 2016 was RMB5.43 cents, representing a decrease of approximately 82.9%.

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 6.9% in the first half of 2017. In the United States, Europe and Japan, the strong economic growth momentum at the end of 2016 has extended to the first half of 2017. The economic growth of the BRICs also remained stable in the first half of 2017. As inflation continues to heat up, commodity prices, such as copper price and aluminium price, keep increasing gently. However, in light of the uncertainties associated with the steps taken by the Federal Reserve to shrink its balance sheet, interest hikes in the United States and geopolitical panic in Asia-Pacific region, it is expected that the global economic and political conditions will deteriorate and the global economy will face volatility in the second half of 2017. For the six-month period ended 30 June 2017, the average price of copper on the London Metal Exchange Limited ("LME") was USD5,748 per tonne, which was 22.3% higher than that in the corresponding period in 2016. For the six-month period ended 30 June 2017, the average price of aluminium was USD1,647 per tonne, which was 6.0% higher than that in the corresponding period in 2016. As the Group prices its products on a cost-plus basis, the increase in raw material prices has driven up the Group's product prices, resulting in an increase in income of the Group for the period under review.

Turnover

For the six-month period ended 30 June	Turnover			Gross Profit Margin		
	2017 RMB million	2016 RMB million	Percentage Change	**2017**	2016	Change
Power cables	**3,179.6**	2,690.4	18.2%	**10.8%**	16.2%	–5.4%
Wires and cables for electrical equipment	**913.3**	708.6	28.9%	**8.8%**	11.8%	–3.0%
Bare wires	**271.6**	179.1	51.6%	**10.6%**	12.4%	–1.8%
Special cables	**303.1**	203.2	49.2%	**22.5%**	25.4%	–2.9%
Total	**4,667.6**	3,781.3	23.4%	**11.2%**	15.7%	–4.5%

Power cable products — 68.1% of total turnover

Driven by the increase in copper price and the changes in market requirements in favor of larger manufacturers which can produce quality products, the growth in the Group's cable sales in the PRC remained strong in the first half of 2017. Sales volume of the Group's power cable products increased significantly by approximately 52.0% to approximately 129,726 km (six-month period ended 30 June 2016: 85,330 km), and turnover of power cables accounted for approximately 68.1% of the total turnover of the Group. However, as (i) more orders of low-rated voltage power cables which carried lower selling prices were shifted by customers from smaller manufacturers to the Group as a result of the changes in market requirements; and (ii) discounts were offered to customers during the period under review on certain products, the quality of which was slightly affected by the flood in 2016, the average price of power cable products for the period under review decreased by approximately 22.3%. For the six-month period ended 30 June 2017, revenue from power cable products amounted to approximately RMB3,179.6 million, representing an increase of approximately 18.2% over the corresponding period in 2016 (six-month period ended 30 June 2016: RMB2,690.4 million). Gross profit for the period under review decreased to approximately RMB343.7 million (six-month period ended 30 June 2016: RMB434.5 million), and gross profit margin decreased to approximately 10.8% (six-month period ended 30 June 2016: 16.2%) due to (a) the changes in market requirements which led to an increase in the consumption of raw materials during the production process, and hence increased the cost of goods sold; and (b) the decrease in the average selling price of the power cable products.

Wire and cable for electrical equipment products — 19.6% of total turnover

For the six-month period ended 30 June 2017, turnover from wires and cables for electrical equipment increased by approximately 28.9% to approximately RMB913.3 million (six-month period ended 30 June 2016: RMB708.6 million). Sales volume of wires and cables for electrical equipment increased by approximately 3.0% from approximately 483,358 km for the six-month period ended 30 June 2016 to approximately 497,838 km for the six-month period ended 30 June 2017. Average price of wires and cables for electrical equipment increased by approximately 25.1% from approximately RMB1,466.1 per km for the six-month period ended 30 June 2016 to approximately RMB1,834.5 per km for the six-month period ended 30 June 2017, mainly due to the increase in average copper price in the period under review.

Bare wire products — 5.8% of total turnover

For the six-month period ended 30 June 2017, turnover from bare wires increased significantly by approximately 51.6% to approximately RMB271.6 million (six-month period ended 30 June 2016: RMB179.1 million). Sales volume of bare wires increased remarkably by approximately 69.7% from approximately 12,929 tonnes for the six-month period ended 30 June 2016 to approximately 21,945 tonnes for the six-month period ended 30 June 2017. Due to the increase in sales as a result of orders being shifted by customers from smaller manufacturers to the Group for producing lower rated voltage bare wires which carried lower selling prices, the average price of bare wire products decreased by approximately 10.7% to approximately RMB12,377.8 per tonne (six-month period ended 30 June 2016: RMB13,854.1 per tonne), and the gross profit margin decreased by approximately 1.8% to 10.6% (six-month period ended 30 June 2016: 12.4%).

Special cable products — 6.5% of total turnover

Under the recovery of the property market in the PRC, the demand for rubber cables (a type of special cables) for buildings and construction increased. The sales volume of special cables increased by approximately 24.3% to approximately 23,890 km (six-month period ended 30 June 2016: 19,219 km). The average selling price of special cables increased by approximately 20.0% from approximately RMB10,572 per km for the six-month period ended 30 June 2016 to approximately RMB12,687 per km for the six-month period ended 30 June 2017. This increase in the average selling price was in line with the increase in copper price during the period under review. However, gross profit margin of special cables decreased by approximately 2.9% to approximately 22.5% (six-month period ended 30 June 2016: 25.4%) as a result of the increase in cost of goods sold due to the changes in market requirements.

Turnover by Geographical Markets

The PRC remains the Group's key market. Sales in the PRC market for the six-month period ended 30 June 2017 increased by approximately 24.5% to approximately RMB4,490.5 million, which accounted for approximately 96.2% of the Group's total turnover, and such increase was primarily due to the increase in sales to customers in the property and energy sectors in China in the period under review.

Revenue contributed by the overseas markets increased by approximately RMB1.9 million or approximately 1.1% over total overseas revenue for the period under review, as compared with that for the corresponding period in 2016. This increase was mainly attributable to the increase in sales in South Africa during the period under review.

Progressive Expansion in Overseas Markets

Apart from manufacturing and selling wire and cable products, the Group is also actively seeking for new opportunities in the industry chain, including the provision of high value-added cable sales and EPC projects, with a view to minimising the impacts brought by fluctuations in raw material prices and to strengthening the service capacity of the Group in respect of project management. In addition, the Group has been actively exploring its overseas markets and expanding its overseas client base, thereby increasing its revenue sources while enhancing recognition of its brands.

On 8 December 2015, a subsidiary of the Company 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 the international markets, focusing on the expansion and cooperation in EPC projects and the sale of cables driven by EPC projects. On 7 April 2016, the same subsidiary of the Company and Gezhouba Engineering further entered into a supplemental strategic cooperation agreement, pursuant to which Gezhouba Engineering would become a distributor of the Group to sell and promote cable products of the Group through its overseas branches to allow further expansion of the global sales networks of the Group.

Following the implementation of the "One Belt, One Road" Initiative by the Chinese government, the Group has dedicated efforts to expanding into markets in the Southeast Asian region, such as Fiji, Cambodia and Bangladesh, and the Group has reached preliminary cooperation intention with local potential customers in these markets. The Group has also started strategic cooperation with construction companies in Hong Kong to enhance its brand recognition in Hong Kong.

Cost of Goods Sold

Cost of goods sold which was composed of the costs of raw materials, production costs and direct labour costs, increased by approximately 30.0% to approximately RMB4,146.6 million during the period under review (six-month period ended 30 June 2016: RMB3,189.5 million). Costs of raw materials accounted for approximately 94.1% of cost of goods sold for the six-month period ended 30 June 2017, of which copper and aluminium were the Group's major raw materials accounting for approximately 79.7% of cost of goods sold for the period under review. Costs of raw materials increased partly due to the higher purchase costs paid by the Group to certain of its suppliers during the period under review, in return for such suppliers to bear the discounting interests on the bills paid by the Group to the suppliers as settlement. 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 4.6% of the cost of goods sold for the period under review was attributable to production costs which mainly consisted 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 RMB70.8 million, or approximately 12.0%, from approximately RMB591.8 million for the six-month period ended 30 June 2016 to approximately RMB521.1 million for the six-month period ended 30 June 2017. Gross profit margin decreased to approximately 11.2% for the six-month period ended 30 June 2017 from approximately 15.7% for the six-month period ended 30 June 2016. As compared with the gross profit margin for the year ended 31 December 2016 of approximately 14.9%, the gross profit margin for the six-month period ended 30 June 2017 decreased as a result of (i) discounts offered to customers on certain products, the quality of which was slightly affected by the flood in 2016; (ii) the increase in additional costs of production being incurred, including the increase in material costs and direct labour costs, due to the changes in market requirements in the period under review; and (iii) the decrease in the average selling price of power cables during the period under review.

Profit for the Period Attributable to Owners of the Company

Profit for the period attributable to owners of the Company decreased significantly by approximately 82.9% from approximately RMB219.4 million for the six-month period ended 30 June 2016 to approximately RMB37.6 million for the six-month period ended 30 June 2017. This decrease was mainly due to the decrease in gross profit, the increase in allowance for bad and doubtful debts, the losses incurred on the disposal of inventories and write-down of inventories, as well as the increase in selling and distribution costs during the period under review.

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 RMB16.5 million, or approximately 17.0%, from approximately RMB97.0 million for the six-month period ended 30 June 2016 to approximately RMB113.5 million for the six-month period ended 30 June 2017. This increase in selling and distribution costs was mainly due to the increase in transportation costs after the promulgation of "Administrative Regulation on Overloaded Transportation Vehicles on Highways" in September 2016 and the increase in marketing expenses for promotion of the Group's products and bidding of projects. However, selling and distribution costs as a percentage of turnover decreased from approximately 2.6% for the six-month period ended 30 June 2016 to approximately 2.4% for the six-month period ended 30 June 2017 as the increase in turnover outweighed the increase in selling and distribution costs incurred during the period under review.

Administrative Expenses

Administrative expenses decreased by approximately RMB7.8 million, or approximately 6.9%, from approximately RMB113.7 million for the six-month period ended 30 June 2016 to approximately RMB105.9 million for the six-month period ended 30 June 2017, mainly due to the significant reduction in the recognition of equity-settled share-based payments in respect of the shares granted to certain employees and management of the Group during the six-month period ended 30 June 2017 as compared with that during the six-month period ended 30 June 2016.

Other Expenses

Other expenses, which were mainly composed of research and development costs, increased by approximately 41.8% from approximately RMB15.4 million for the six-month period ended 30 June 2016 to approximately RMB21.8 million for the six-month period ended 30 June 2017. This significant increase was mainly resulted from the increase in the Group's expenditure on research and development of new products and technology during the six-month period ended 30 June 2017, as compared with that in the same period in 2016.

Other Losses

Other losses were composed of bad debt expenses, loss on disposal of property, plant and equipment, write-down of inventories and loss on disposal of inventories. Other losses increased dramatically by approximately 2,663.7% from approximately RMB4.9 million for the six-month period ended 30 June 2016 to approximately RMB136.0 million for the six-month period ended 30 June 2017. This significant increase in other losses was mainly due to the losses from the disposal of inventories and write-down of inventories during the six-month period ended 30 June 2017, which were absent in the six-month period ended 30 June 2016, and the increase in the provision of bad debts for long outstanding receivables during the period under review.

Finance Costs

Finance costs increased by approximately 8.2% from approximately RMB111.6 million for the six-month period ended 30 June 2016 to approximately RMB120.8 million for the six-month period ended 30 June 2017. Finance costs as a percentage of turnover reduced from approximately 3.0% for the six-month period ended 30 June 2016 to approximately 2.6% for the six-month period ended 30 June 2017, as certain of the suppliers of the Group, who had charged the Group higher purchase costs, had borne the discounting interests in relation to the bills paid by the Group to such suppliers as settlement during the period under review.

Taxation

The Group's taxation decreased by approximately RMB38.5 million, or approximately 70.8%, from approximately RMB54.4 million for the six-month period ended 30 June 2016 to approximately RMB15.9 million for the six-month period ended 30 June 2017. 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 2017, total assets of the Group amounted to approximately RMB13,730.7 million (31 December 2016: RMB12,465.6 million).

Non-current assets increased by approximately 7.8% from approximately RMB1,261.1 million as at 31 December 2016 to approximately RMB1,358.8 million as at 30 June 2017. This increase was mainly due to the increase in the deposits paid for the acquisition of property, plant and equipment and the increase in the loan advanced to an associate during the period under review.

Current assets increased by approximately 10.4% from approximately RMB11,204.6 million as at 31 December 2016 to approximately RMB12,371.8 million as at 30 June 2017, mainly due to the increase in inventories, in particular goods not yet delivered as at 30 June 2017, and the increase in trade receivables outstanding as at 30 June 2017.

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 maximise the Group's investment returns.

Total bank borrowings increased by approximately 11.6% from approximately RMB3,565.4 million as at 31 December 2016 to approximately RMB3,978.2 million as at 30 June 2017. Of the Group's total bank borrowings as at 30 June 2017, approximately 95.1% 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 RMB5,223.2 million as at 30 June 2017, which was approximately 1.4% lower than that of approximately RMB5,296.5 million as at 31 December 2016.

As at 30 June 2017, the net-debt-to-equity ratio of the Group, defined as a percentage of net interest-bearing borrowings (bank borrowings less bank balances and cash and pledged bank deposits) of approximately RMB921.0 million over total equity of approximately RMB5,223.8 million as at 30 June 2017, increased from approximately -0.6% as at 31 December 2016 to approximately 17.6%. As compared with the net-debt-to-equity ratio of 2.4% as at 30 June 2016, the net-debt-to-equity ratio of the Group as at 30 June 2017 had also increased. The increase in net-debt-to-equity ratio as compared with those as at 30 June 2016 and 31 December 2016 respectively, was mainly due to the increase in turnover during the six-month period ended 30 June 2017 which triggered the increase in unsecured bank borrowings for financing the purchase of raw materials.

In addition, the Group had sufficient committed but unused banking facilities of approximately RMB2,298.1 million as at 30 June 2017 to meet the needs of the Group's business development. There was no material seasonality in relation to the borrowing requirements of the Group.

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

During the six-month period ended 30 June 2017, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB517,000 (six-month period ended 30 June 2016: RMB2,484,000) for cash proceeds of approximately RMB396,000 (six-month period ended 30 June 2016: RMB1,096,000), resulting in a loss on disposal of approximately RMB121,000 (six-month period ended 30 June 2016: RMB1,388,000).

As at 30 June 2017, the Group has pledged certain of its buildings and machinery with aggregate carrying amounts of approximately RMB221,469,000 and approximately RMB54,862,000 respectively (31 December 2016: RMB183,708,000 and RMB58,476,000 respectively) to certain banks to secure credit facilities granted to the Group.

During the six-month periods ended 30 June 2017 and 2016, no interest expense has been capitalised.

During the six-month periods ended 30 June 2017 and 2016, the Group did not employ any financial instruments for hedging purposes.

Contingent Liabilities

As at 30 June 2017, 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 utilised. As at the date of this 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 utilised, 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 extra-high voltage cables, only approximately HK$82.2 million had been utilised.

Outlook and Prospects

As China continues to deepen its supply-side structural reform in 2017, the Chinese government will further eliminate excess capacities, de–stock, de–leverage, reduce costs and rectify areas of weaknesses in the country in order to maintain steady and healthy economic developments in the PRC. According to the 2017 Work Report of the Chinese government released in March 2017, the targeted GDP growth rate in 2017 is approximately 6.5% and the targeted FAI growth rate in 2017 is approximately 9.0%. The Chinese government will continue to boost the construction of grid networks and infrastructure projects in the PRC. The FAI targets on grid construction, railways, and highways and waterways for 2017 are RMB521 billion, RMB800 billion and RMB1.8 trillion respectively.

During the "Thirteenth Five–Year Plan" period, the total investments on power distribution grid construction will reach RMB17 trillion. According to the "Thirteenth Five–Year Plan on the Development of Modern Complex Transportation System" (the "Transportation Plan") issued by the State Council of China, "ten vertical and ten horizontal" lines will be constructed to upgrade the high–speed railway network. It is targeted that by 2020, the operational length of railways will be increased by approximately 30,000 km to 150,000 km, the operational length of highways will be increased by approximately 450,000 km to 5,000,000 km, and the operational length of urban rail transit will be nearly doubled to 6,000 km. Total investments in transportation during the "Thirteen Five–Year Plan" period will reach RMB15 trillion, representing an increase of approximately 20% from RMB12.5 trillion during the "Twelfth Five–Year Plan" period.

Integrated with the "One Belt, One Road" Initiative, the Transportation Plan proposes to construct a hub in Yunnan connecting China with South Asia and Southeast Asia, an international channel in Guangxi connecting China with ASEAN countries, and a core region of the Maritime Silk Road in Fujian for enhancing the port service in coastal areas and strengthening the connection between ports and domestic complex transportation networks.

In May 2017, the Ministry of Housing and Urban–Rural Development of China and the National Development and Reform Commission of China published the "Thirteenth Five–Year Plan for Construction of National Urban Municipal Infrastructure", which proposes to commence the orderly construction of underground utility tunnels and accelerate the construction of sponge cities. According to the 2017 Work Report of the Chinese government released in March 2017, the urban underground utility tunnels, the construction of which will commence in 2017, will have a target length of over 2,000 km.

According to the Commodity Markets Outlook issued by the World Bank Group in April 2017, metal prices are forecast to increase by 16% in 2017 (after dropping nearly by 7% in 2016) due to the strong demand and tightening markets for most metals. Copper prices are expected to increase by 18% as a result of various disruptions at some of the world's largest mines, such as strikes in Chile, export policies in Indonesia, and bad weather in Peru.

The Xi'an subway "problem cable" incident in March 2017 was a one–off event which accelerated the consolidation of the cable industry in the PRC that eliminated unqualified industry players. Inevitably, the incident will lead to increased costs and write–down of inventories which will have an adverse impact on the cable industry's profitability in 2017.

The Group believes that the construction of grid networks, domestic transportation infrastructure and urban underground utility tunnels, together with the gradual upgrade of regional development plans in the PRC, will be conducive to stabilising the demand for wires and cables in the country. Upon the continuous intensification of the supply–side structural reform, the Chinese government will continue to promote the elimination of obsolete capacity, energy saving, emission reduction and product upgrade. The supply–demand dynamics in the cable industry will gradually improve, which will be helpful to the long–term healthy development of the cable industry in China. The promotion of the "One Belt, One Road" Initiative and the active participation of Chinese enterprises will also help boost the cable suppliers' outbound businesses.

Looking ahead, to capture the opportunities and to cope with the challenges in the cable industry in China, the Group will persistently strive for a leading market position through optimisation of its production efficiency, strengthening the research and development of its products, integration of its sales resources and enforcing its internal controls. In the future, the Group will actively explore the opportunities of downstream expansion in the industry, so as to seek strategic co–operation with leading international and domestic enterprises in the relevant fields for joint promotion of sustainable developments of the cable industry in China.

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 2017 together with the unaudited comparative figures for the six-month period ended 30 June 2016.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended 30 June 2017

	Notes	Six-month period ended 30.6.2017 RMB'000 (unaudited)	30.6.2016 RMB'000 (unaudited)
Turnover	3	**4,667,610**	3,781,289
Cost of goods sold		**(4,146,559)**	(3,189,450)
Gross profit		**521,051**	591,839
Other income	4	**30,049**	39,637
Selling and distribution costs		**(113,481)**	(97,012)
Administrative expenses		**(105,894)**	(113,735)
Other expenses		**(21,764)**	(15,350)
Other losses	5	**(136,001)**	(4,921)
Share of results of associates		**308**	(15,941)
Finance costs		**(120,807)**	(111,648)
Profit before taxation	6	**53,461**	272,869
Taxation	7	**(15,876)**	(54,425)
Profit for the period		**37,585**	218,444
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**827**	1,523
Total comprehensive income for the period		**38,412**	219,967
Profit (loss) for the period attributable to:			
Owners of the Company		**37,585**	219,415
Non–controlling interest		**—**	(971)
		37,585	218,444
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**38,412**	220,938
Non–controlling interest		**—**	(971)
		38,412	219,967
Earnings per share — Basic	9	**RMB0.93 cents**	RMB5.43 cents
— Diluted		**RMB0.93 cents**	RMB5.41 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Non–current assets			
Property, plant and equipment	10	**848,889**	843,708
Land use rights		**255,056**	258,516
Deposits paid for acquisition of property, plant and equipment		**89,869**	8,998
Goodwill		**109,606**	109,606
Interests in associates		**3,150**	3,234
Loan to an associate		**41,583**	26,018
Available–for–sale investment		**7,090**	7,090
Deferred tax assets		**3,596**	3,890
		1,358,839	1,261,060
Current assets			
Inventories		**4,532,857**	3,809,255
Trade and other receivables	11	**4,781,792**	3,797,387
Pledged bank deposits		**1,561,817**	1,425,454
Bank balances and cash		**1,495,379**	2,172,465
		12,371,845	11,204,561
Current liabilities			
Trade and other payables	12	**4,393,596**	3,422,206
Amounts due to directors		**5,927**	5,798
Bank borrowings — due within one year	13	**3,978,234**	3,565,361
Taxation payable		**59,294**	103,235
		8,437,051	7,096,600
Net current assets		**3,934,794**	4,107,961
Total assets less current liabilities		**5,293,633**	5,369,021
Non–current liabilities			
Government grants		**1,205**	3,001
Deferred tax liabilities		**68,654**	68,928
		69,859	71,929
Net assets		**5,223,774**	5,297,092
Capital and reserves			
Share capital	14	**32,951**	32,951
Reserves		**5,190,271**	5,263,589
Equity attributable to owners of the Company		**5,223,222**	5,296,540
Non–controlling interest		**552**	552
Total equity		**5,223,774**	5,297,092

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2017

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Warrant reserve RMB'000	Shares held for share award scheme RMB'000 (Note 17)	Employee share-based compensation reserve RMB'000 (Note 17)	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 2016	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
Capital contributed by non-controlling interest	–	–	–	–	–	–	–	–	–	–	–	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	–	–	–	–	12,525	(7,839)	–	–	–	(4,686)	–	–	–
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	–	(41,364)	2,640	77,351	368,329	(28,400)	2,442,772	4,986,864	1,029	4,987,893
As at 1 January 2017	**32,951**	**1,983,889**	**148,696**	**–**	**(41,364)**	**2,928**	**77,351**	**408,548**	**(28,400)**	**2,711,941**	**5,296,540**	**552**	**5,297,092**
Exchange differences arising from translation of a foreign operation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**827**	**–**	**827**	**–**	**827**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**37,585**	**37,585**	**–**	**37,585**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**827**	**37,585**	**38,412**	**–**	**38,412**
Purchase of shares under share award scheme	**–**	**–**	**–**	**–**	**(901)**	**–**	**–**	**–**	**–**	**–**	**(901)**	**–**	**(901)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**–**	**(193)**	**–**	**–**	**–**	**–**	**(193)**	**–**	**(193)**
Shares vested under share award scheme	**–**	**–**	**–**	**–**	**684**	**(330)**	**–**	**–**	**–**	**(354)**	**–**	**–**	**–**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(110,636)**	**(110,636)**	**–**	**(110,636)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,710**	**–**	**(8,710)**	**–**	**–**	**–**
As at 30 June 2017 (unaudited)	**32,951**	**1,983,889**	**148,696**	**–**	**(41,581)**	**2,405**	**77,351**	**417,258**	**(27,573)**	**2,629,826**	**5,223,222**	**552**	**5,223,774**

(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. (無錫江南電纜有限公司) ("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 2017

	Six-month period ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash used in operations	**(650,621)**	(131,352)
PRC income tax paid	**(59,797)**	(89,088)
Net cash used in operating activities	**(710,418)**	(220,440)
Investing activities		
Release of pledged bank deposits	**998,300**	2,087,826
Interest received	**20,680**	33,846
Proceeds from disposal of property, plant and equipment	**396**	1,096
New pledged bank deposits raised	**(1,134,663)**	(2,051,442)
Deposits paid for acquisition of property, plant and equipment	**(100,801)**	(11,167)
Purchase of property, plant and equipment	**(29,542)**	(24,777)
Advance to an associate	**(12,864)**	–
Purchase of land use rights	**–**	(7,439)
Net cash (used in) generated from investing activities	**(258,494)**	27,943
Financing activities		
New bank borrowings raised	**3,117,588**	2,948,190
Advances from directors	**1,969**	686
Repayment of bank borrowings	**(2,704,715)**	(3,002,057)
Interest paid	**(120,807)**	(111,648)
Repayment to directors	**(1,840)**	(1,312)
Purchase of shares under share award scheme	**(901)**	(33,515)
Capital contribution from a non-controlling interest of a newly incorporated subsidiary	**–**	2,000
Repayment of obligation under a finance lease	**–**	(109)
Net cash generated from (used in) financing activities	**291,294**	(197,765)
Net decrease in cash and cash equivalents	**(677,618)**	(390,262)
Cash and cash equivalents at beginning of the period	**2,172,465**	2,131,286
Effect of foreign exchange rate changes	**532**	1,301
Cash and cash equivalents at end of the period, represented by bank balances and cash	**1,495,379**	1,742,325

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 2017:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses

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 results 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.

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

The information of segment results are as follows:

	Six-month period ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
— power cables	**3,179,633**	2,690,349
— wires and cables for electrical equipment	**913,259**	708,629
— bare wires	**271,631**	179,120
— special cables	**303,087**	203,191
	4,667,610	3,781,289
Cost of goods sold		
— power cables	**2,835,885**	2,255,854
— wires and cables for electrical equipment	**832,948**	625,119
— bare wires	**242,904**	156,983
— special cables	**234,822**	151,494
	4,146,559	3,189,450
Segment results		
— power cables	**343,748**	434,495
— wires and cables for electrical equipment	**80,311**	83,510
— bare wires	**28,727**	22,137
— special cables	**68,265**	51,697
	521,051	591,839

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

	Six-month period ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment results	**521,051**	591,839
Unallocated income and expenses		
— Other income	**30,049**	39,637
— Selling and distribution costs	**(113,481)**	(97,012)
— Administrative expenses	**(105,894)**	(113,735)
— Other expenses	**(21,764)**	(15,350)
— Other losses	**(136,001)**	(4,921)
— Share of results of associates	**308**	(15,941)
— Finance costs	**(120,807)**	(111,648)
Profit before taxation	**53,461**	272,869

3. TURNOVER AND SEGMENT INFORMATION *(continued)*

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 2017 and 31 December 2016.

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	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Customer A	**480,227**	657,876

4. OTHER INCOME

	Six-month period ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	**22,019**	34,759
Government subsidies (Note)	**4,611**	3,196
Others	**3,419**	1,682
	30,049	39,637

Note: Included in the amount are approximately RMB463,000 (six-month period ended 30 June 2016: RMB463,000) and approximately RMB1,333,000 (six-month period ended 30 June 2016: RMB 1,333,000), representing deferred income on government subsidies in relation to capital expenditures 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. OTHER LOSSES

	Six-month period ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss on disposal of inventories (Note)	**102,314**	–
Write–down of inventories (Note)	**19,850**	–
Allowance for bad and doubtful debts	**13,716**	3,533
Loss on disposal of property, plant and equipment	**121**	1,388
	136,001	4,921

Note: Due to the flood in 2016 and the changes in market requirements in the period under review, some products had been disassembled and/or disposed of, resulting in a loss of approximately RMB102,314,000 being recognised during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: nil). In addition, a provision of approximately RMB19,850,000 was made during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: nil) to write down inventories which would be disassembled and/or disposed of to their expected saleable value.

6. PROFIT BEFORE TAXATION

	Six-month period ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit has been arrived at after charging:		
Depreciation of property, plant and equipment	**44,690**	40,422
Research and development costs (included in other expenses)	**21,764**	15,350
Minimum lease payment under operating lease in respect of property	**2,407**	1,119
Operating lease rentals in respect of land use rights	**3,460**	3,397

7. TAXATION

	Six-month period ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**15,856**	50,827
Deferred taxation	**20**	3,598
Taxation charge for the period	**15,876**	54,425

7. TAXATION *(continued)*

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law (the "EIT Law") of the PRC on Enterprise Income Tax (the "EIT") and the Regulations of the PRC on the Implementation of the EIT Law, the tax rate of the PRC subsidiaries has been 25% from 1 January 2008 onward. Pursuant to the approval published on the website of the Yixing Provincial Commission of Science and Technology, Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) was endorsed as a High and New Technology Enterprise on 4 March 2009 (renewed on 6 July 2015) and was entitled to and was charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2018. Jiangsu Zhongmei Cable Group Co., Ltd. (江蘇中煤電纜有限公司) was also entitled to and was charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2017.

Dividends distributed by a PRC entity to foreign investors out of its profits generated from 1 January 2008 onwards shall be subject to the EIT at 10%, which shall be withheld by the PRC entity pursuant to Articles 3 and 37 of the EIT Law and Article 91 of the Regulations of the PRC on the Implementation of the EIT Law. According to the Tax Arrangement for Avoidance of Double Taxation between China and Hong Kong (China-HK TA), a Hong Kong resident company shall be entitled to a preferential tax rate of 5% when receiving dividends from its PRC subsidiaries.

Taxation arising from South Africa is calculated at the rate prevailing in South Africa. South Africa corporate tax was calculated at 28% (six-month period ended 30 June 2016: 28%) of the assessable profit during the period under review.

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 2017 and 2016.

8. DIVIDENDS

During the current interim period, a final dividend of HK3.1 cents per share in respect of the year ended 31 December 2016 (six-month period ended 30 June 2016: HK3.1 cents per share in respect of the year ended 31 December 2015) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the current interim period amounted to HK$125,184,045 (six-month period ended 30 June 2016: HK$125,215,045), net of dividends payable on shares held under the share award scheme of the Company.

The Board does not recommend the payment of any interim dividend for the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: nil).

9. 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	
	30.6.2017 (unaudited)	30.6.2016 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of calculation of basic and diluted earnings per share *(RMB'000)*	**37,585**	219,415
Number of shares *('000)*		
Weighted average number of ordinary shares in issue less shares held under the share award scheme for the purpose of calculation of basic earnings per share	**4,039,328**	4,043,966
Effect of dilutive potential ordinary shares: Shares granted under the share award scheme	**4,617**	9,149
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**4,043,945**	4,053,115

For the six-month periods ended 30 June 2017 and 2016, the weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share has been adjusted for the shares granted on 28 January 2016 pursuant to the share award scheme adopted by the Company on 9 September 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month periods ended 30 June 2017 and 2016, the Group incurred the following capital expenditures on property, plant and equipment:

	Six-month period ended	
	30.6.2017 RMB'000 (unaudited)	30.6.2016 RMB'000 (unaudited)
Buildings	**293**	99
Plant and machinery	**17,290**	10,219
Furniture, fixtures and equipment	**1,767**	1,845
Motor vehicles	**397**	2,057
Construction in progress	**30,634**	43,747
Total	**50,381**	57,967

During the six-month period ended 30 June 2017, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB517,000 (six-month period ended 30 June 2016: RMB2,484,000) for cash proceeds of approximately RMB396,000 (six-month period ended 30 June 2016: RMB1,096,000), resulting in a loss on disposal of approximately RMB121,000 (six-month period ended 30 June 2016: RMB1,388,000).

10. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

As at 30 June 2017, the Group has pledged certain of its buildings and machinery with aggregate carrying amounts of approximately RMB221,469,000 and approximately RMB54,862,000 respectively (31 December 2016: RMB183,708,000 and RMB58,476,000 respectively) to certain banks to secure credit facilities granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Trade receivables, net	4,024,329	3,204,785
Bills receivables	277,408	278,509
	4,301,737	3,483,294
Current portion of land use rights	6,921	6,921
Deposits paid to suppliers	245,591	100,418
Prepayments	27,973	26,648
Staff advances	3,010	4,284
Tender deposits	107,337	101,167
Value-added tax receivables	35,593	6,387
Other receivables	53,630	68,268
	4,781,792	3,797,387

The Group maintains a defined credit policy. For the sale 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:

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Age		
0 to 90 days	2,183,656	1,811,887
91 to 180 days	642,475	674,564
181 to 365 days	925,115	550,467
Over 365 days	550,491	446,376
	4,301,737	3,483,294

Included in the Group's trade and bills receivables balance are debtors with an aggregate carrying amount of approximately RMB2,040,426,000 as at 30 June 2017 (31 December 2016: RMB1,605,260,000), 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 2017.

12. TRADE AND OTHER PAYABLES

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Trade payables	**1,271,684**	1,098,679
Bills payables	**2,079,638**	1,454,793
	3,351,322	2,553,472
Payroll and welfare accruals	**52,980**	82,062
Receipts in advance from customers	**635,557**	533,696
Cash consideration payables	**66,000**	66,000
Contingent consideration payables	**64,698**	64,698
Other tax payables	**4,236**	27,004
Other deposits	**2,710**	3,191
Dividend payables	**108,650**	–
Other payables and accruals	**107,443**	92,083
	4,393,596	3,422,206

The average credit period on the 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:

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Age		
0 to 90 days	**2,659,538**	1,917,128
91 to 180 days	**340,438**	574,835
181 to 365 days	**324,419**	23,610
Over 1 year	**26,927**	37,899
	3,351,322	2,553,472

13. BANK BORROWINGS - DUE WITHIN ONE YEAR

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Secured	669,411	726,649
Secured and guaranteed by independent third parties	300,000	305,000
Unsecured	1,697,055	1,068,850
Unsecured and guaranteed by independent third parties	1,311,768	1,464,862
	3,978,234	3,565,361
The bank borrowings comprise:		
Variable rate borrowings	255,822	407,202
Fixed rate borrowings	3,674,016	3,047,003
Discounted bills with recourse	48,396	111,156
	3,978,234	3,565,361

Included in bank borrowings are the following amounts denominated in currencies other than the functional currency of the group entity that they relate to:

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
United States dollars	134,133	47,172
Euros	324,501	272,434

Certain bank borrowings and bills payables of the Group are secured by certain assets of the Group. The carrying values of these assets at the end of the reporting periods were as follows:

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
For bank borrowings:		
— property, plant and equipment	276,331	242,184
— land use rights	239,545	242,839
For bank borrowings and bills payables:		
— pledged bank deposits	1,561,817	1,425,454
	2,077,693	1,910,477

14. 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 2016, 31 December 2016 (audited) and 30 June 2017 (unaudited)	10,000,000,000	100,000,000	
Issued and fully paid: At 1 January 2016, 31 December 2016 (audited) and 30 June 2017 (unaudited)	4,078,866,000	40,788,660	32,951

15. CAPITAL COMMITMENTS

	30.6.2017 RMB'000 (unaudited)	31.12.2016 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	**3,055**	18,130

16. CONTINGENT LIABILITIES

As at 30 June 2017, neither the Group nor the Company had any significant contingent liabilities.

17. SHARE AWARD SCHEME

The purposes of the share award scheme of the Company 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 continuing 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 (the "Qualified Employees") 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.

17. SHARE AWARD SCHEME *(continued)*

The fair value of the Awarded Shares granted was determined with reference to the market value of the shares on the grant date taking into account the price volatility of the shares of the Company, the risk-free interest rate and the vesting period of the granted shares as well as the exclusion of the expected dividends payable on the granted shares, as the employees are not entitled to receive dividends paid on the granted but unvested shares during the vesting period. The fair value of the Awarded Shares on the grant date was approximately HK$30,182,000. The total amount credited to profit or loss in respect of the fair value of the Awarded Shares amounted to approximately HK$219,000 (equivalent to approximately RMB193,000) (charged for the six-month period ended 30 June 2016: HK$12,387,000 (equivalent to approximately RMB10,479,000)) for the six-month period ended 30 June 2017.

Movements of the shares granted to the Qualified Employees under the share award scheme were as follows:

	Number of shares '000
Outstanding as at 1 January 2016	–
Shares granted on 28 January 2016	35,300
Shares vested (Note a)	(8,825)
Outstanding as at 31 December 2016 (audited)	26,475
Shares forfeited (Note b)	(8,325)
Shares vested (Note c)	(500)
Outstanding as at 30 June 2017 (unaudited)	17,650

Notes:

(a) Being 25% of the Awarded Shares, which were vested on 1 April 2016 to the Qualified Employees.

(b) At 30 June 2017, 8,325,000 forfeited shares (31 December 2016: nil) were held by the trustee under the share award scheme and would be re-granted to eligible employees in future.

(c) Being approximately 1.4% of the Awarded Shares, which were vested on 1 April 2017 to the Qualified Employees.

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 2016	15,040	24,720	20,374
Shares purchased from the market during the year	33,456	39,935	33,515
Shares transferred out upon vested	(8,825)	(15,280)	(12,525)
At 31 December 2016 (audited)	39,671	49,375	41,364
Shares purchased from the market during the period	1,500	1,033	901
Shares transferred out upon vested	(500)	(831)	(684)
At 30 June 2017 (unaudited)	40,671	49,577	41,581

18. RELATED PARTIES 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 the 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	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Basic salaries and allowances	**1,063**	1,389
Share-based payments	**(88)**	2,375
Retirement benefits scheme contributions	**25**	26
	1,000	3,790

The remuneration of the Directors is determined by the remuneration committee of the Board having regard to the performance of the individual Directors and the 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 2017, 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 a controlled corporation *(Note 2)*	1,258,838,000	30.86%
	Beneficial owner	168,786,000 *(Note 3)*	4.14%
Ms. Xia Yafang	Beneficial owner	1,612,000 *(Note 4)*	0.04%
	Interest of spouse *(Note 5)*	1,500,000 *(Note 5)*	0.04%
Mr. Hao Minghui	Beneficial owner	1,500,000 *(Note 6)*	0.04%
Mr. Jiang Yongwei	Beneficial owner	1,500,000 *(Note 7)*	0.04%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 30 June 2017 (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 (ii) 1,000,000 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) 1,000,000 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) 1,000,000 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) 1,000,000 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) 1,000,000 shares awarded to him pursuant to the Scheme which are yet to be vested.

Save as disclosed above, as at 30 June 2017, 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).

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

As at 30 June 2017, 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)*	1,427,624,000	35.00%
Power Heritage Group Limited	Beneficial owner	1,258,838,000 *(Note 3)*	30.86%
Mr. Rui Yiping	Beneficial owner	448,000,000	10.98%
Ms. Pan Lanfen	Interest of spouse *(Note 4)*	448,000,000	10.98%

Notes:

(1) The total number of ordinary shares of the Company in issue as at 30 June 2017 (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.

Save as disclosed above, as at 30 June 2017, 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 2017, Mr. Chu Hui was a director of Power Heritage Group Limited. Save as disclosed above, as at 30 June 2017, 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.

EMPLOYEES AND REMUNERATION

As at 30 June 2017, the Group had a total of 3,655 employees. The Group's remuneration policy is based on the position, duties and performance of individual employees. The remuneration of the Group's employees, including their salaries, overtime allowance, bonus and various subsidies, varies according to their positions. The performance appraisal cycle varies according to the positions of the Group's employees. The performance appraisal of the Group's senior management is conducted annually, and that of the department heads is conducted quarterly while that of the Group's remaining staff is conducted monthly. The performance appraisal is supervised by the Group's performance management committee.

The Board adopted a share award scheme on 9 September 2015 as an incentive to recognise the contributions by employees, executives, officers and directors of the Group, to retain them for the 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% and approximately 1.4% of the Awarded Shares granted to the Selected Employees were vested on 1 April 2016 and 1 April 2017 respectively. Approximately 23.6% of the Awarded Shares granted and due for vesting to the Selected Employees on 1 April 2017 were forfeited due to those Selected Employees being unable to fulfil their performance requirements. The rest of the Awarded Shares shall vest in equal proportions (i.e. 25%) on each of 1 April 2018 and 1 April 2019 respectively, provided that the performance requirements of individual Selected Employees will be met.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment increased from approximately RMB843.7 million as at 31 December 2016 to approximately RMB848.9 million as at 30 June 2017, representing an increase of approximately 0.6%. This increase was mainly attributed to the net effect of addition of machineries for power cable production lines and the depreciation charged during the period under review.

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

For the six-month period ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the 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. However, the Company has not had a separate chairman and chief executive officer during the period under review. 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 2017.

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 standards contained 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"). Specific enquiry has been made of all the Directors who have confirmed their compliance with the required standards 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 2017.

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 any relevant officers or employees during the six-month period ended 30 June 2017 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 2017 and this 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 independent non-executive Directors.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is a vital mission in the process of globalisation 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 2017, the Group focused on the creation of social value while ensuring its profitability in order to contribute to the society and realise 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 organised 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 2017 revealed that the Group's wholly-owned subsidiary Wuxi Jiangnan Cable Co., Ltd. (無錫江南電纜有限公司) has complied with the required level of carbon emission under ISO 14064-1: 2006.

(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 2017, 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 fulfil and realise the expectation of all stakeholders and focus on the creation of social values.