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JIANGNAN GROUP LIMITED
江 南 集 團 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 23.4% to RMB4,667.6 million (2016: RMB3,781.3 million)
- Gross profit decreased by approximately 12.0% to RMB521.1 million (2016: RMB591.8 million)
- Profit for the period attributable to owners of the Company decreased by approximately 82.9% to RMB37.6 million (2016: RMB219.4 million)
- Basic earnings per share decreased by approximately 82.9% to RMB0.93 cents (2016: RMB5.43 cents)

The board (the "Board") of directors (the "Directors") of Jiangnan Group Limited ("Jiangnan" or the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month period ended 30 June 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.

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

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

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	30.6.2016
	(unaudited)	(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	30.6.2016
	RMB'000	*RMB'000*
	(unaudited)	(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).

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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(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**	**Shown in the financial statements as**
		HK$	*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	31.12.2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditures contracted for but not provided for in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	**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.

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 the 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.

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 the 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	2016	Percentage Change	**2017**	2016	Change
	RMB million	*RMB million*				
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 the 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 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 engineering, procurement and construction ("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 to 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 cost 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 shares granted to certain employees and management of the Group during the six-month period ended 30 June 2017 as compared to 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 to 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.

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.

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. 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.

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 announcement, approximately HK$115.0 million in aggregate of the net proceeds allocated to set up production facilities for aluminium alloy and double capacity conductors had been fully utilised, approximately HK$97.0 million in aggregate of the net proceeds allocated to set up a manufacturing facility in South Africa had been fully 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.

Employees and Remuneration

As at 30 June 2017, the Group had a total of 3,655 employees. Remuneration packages offered to employees are in line with industry standards and reviewed annually. The award of bonuses is discretionary and based on the performance of, firstly, the individual employee, and secondly, the Group.

The Board adopted a share award scheme on 9 September 2015 as an incentive to recognise the contributions by employees, executives, officers and directors of the Group, to retain them for their continuing operation and development of the Group and to attract suitable personnel for further development of the Group. On 28 January 2016, the Board resolved to grant an aggregate of 35,300,000 shares (the "Awarded Shares") in the capital of the Company to 21 selected officers and employees (the "Selected Employees") of the Group pursuant to the share award scheme, of whom (i) Mr. Chu Hui, Ms. Xia Yafang, Mr. Jiang Yongwei and Mr. Hao Minghui are executive Directors, and (ii) the remaining 17 Selected Employees are senior management of the Group. 25% 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 the addition of machineries for power cable production lines and the depreciation charged during the period under review.

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 fixed asset investments (the "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, 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 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 by nearly 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 (Chile), export policies (Indonesia), and bad weather (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.

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.

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

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

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.jiangnangroup.com). The interim report for the six-month period ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

ACKNOWLEDGEMENT

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

By order of the Board
Chu Hui
Chairman

Hong Kong, 30 August 2017

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