JIANGNAN GROUP LIMITED
江 南 集 團 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1366)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Turnover decreased by approximately 8.2% to approximately RMB13,335.2 million (2019: RMB14,524.2 million)
- Gross profit decreased by approximately 6.2% to approximately RMB1,424.7 million (2019: RMB1,518.8 million)
- Profit for the year decreased by approximately 55.8% to approximately RMB169.5 million (2019: RMB383.2 million)
- Basic earnings per share decreased by approximately 67.8% to RMB2.79 cents (2019: RMB8.66 cents)
- The Board does not recommend the declaration and payment of any final dividend (2019: HK0.5 cent)

The board ("Board") of directors ("Directors") of Jiangnan Group Limited ("Jiangnan" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 together with the audited comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Turnover	*3*	**13,335,190**	14,524,221
Cost of goods sold		**(11,910,484)**	(13,005,393)
Gross profit		**1,424,706**	1,518,828
Other income	*4*	**103,469**	95,245
Selling and distribution costs		**(560,134)**	(429,575)
Administrative expenses		**(283,047)**	(265,540)
Research and development costs		**(62,570)**	(62,735)
Other (losses) gains, net	*5*	**(38,331)**	9,022
Impairment losses under expected credit loss ("ECL") model, net of reversal	*6*	**(92,979)**	(101,996)
Share of results of associates		**(273)**	(10,608)
Finance costs	*7*	**(271,922)**	(292,766)
Profit before taxation	*8*	**218,919**	459,875
Taxation	*9*	**(49,424)**	(76,652)
Profit for the year		**169,495**	383,223
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on equity instrument at fair value through other comprehensive income ("FVTOCI")		**5,120**	(3,298)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**(15,893)**	2,323
		(10,773)	(975)
Total comprehensive income for the year		**158,722**	382,248
Basic and diluted earnings per share	*11*	**RMB2.79 cents**	RMB8.66 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Non-current assets			
Property, plant and equipment	*12*	**910,493**	882,855
Right-of-use assets		**294,052**	301,862
Deposits paid for acquisition of property, plant and equipment		**7,301**	7,242
Goodwill		**54,775**	54,775
Interests in associates		**–**	2,969
Loan to an associate		**27,102**	34,404
Equity instrument at FVTOCI		**6,084**	964
Deferred tax assets		**24,447**	2,120
		1,324,254	1,287,191
Current assets			
Inventories	*13*	**3,632,728**	3,000,870
Trade and other receivables	*14*	**5,647,058**	5,533,205
Financial asset at fair value through profit or loss ("FVTPL")		**43,156**	–
Structured deposits		**539,769**	604,559
Pledged bank deposits		**2,093,794**	2,069,840
Bank deposits with original maturity over three months		**743,000**	861,345
Bank balances and cash		**1,748,085**	2,222,470
		14,447,590	14,292,289

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Current liabilities			
Trade and other payables	*15*	**4,894,338**	5,157,812
Contract liabilities		**783,753**	710,949
Amounts due to directors		**4,178**	5,325
Bank borrowings	*16*	**3,296,233**	3,252,800
Lease liabilities		**339**	169
Taxation payable		**94,087**	96,404
		9,072,928	9,223,459
Net current assets		**5,374,662**	5,068,830
Total assets less current liabilities		**6,698,916**	6,356,021
Non-current liabilities			
Deferred tax liabilities		**63,526**	47,821
Bank borrowings	*16*	**196,000**	–
Lease liabilities		**157**	–
		259,683	47,821
Net assets		**6,439,233**	6,308,200
Capital and reserves			
Share capital		**51,350**	51,350
Reserves		**6,387,883**	6,256,850
Total equity		**6,439,233**	6,308,200

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate holding company of the Company is Power Heritage Group Limited, a company which was incorporated in the British Virgin Islands ("BVI") and the ultimate holding company of the Company is 無錫光普投資有限公司, a company which was established in the People's Republic of China (the "PRC").

The principal activity of the Company is to act as an investment holding company. Its principal subsidiaries are engaged in the manufacture of and trading in wires and cables.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the fair value of the consideration received and receivable for goods sold to external customers during the year.

The Group's chief operating decision maker has been identified as the executive directors of the Company ("Executive Directors") who review the business of the following reportable operating segments by products:

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

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

The segment results represent the gross profit earned by each segment (segment revenue less segment cost of goods sold), which represents the internally generated financial information regularly reviewed by the Executive Directors. However, other income, selling and distribution costs, administrative expenses, research and development costs, other (losses) gains, net, impairment losses under ECL model, net of reversal, share of results of associates and finance costs are not 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:

	2020	2019
	RMB'000	*RMB'000*
Revenue		
— power cables	**8,764,274**	10,190,329
— wires and cables for electrical equipment	**2,944,958**	2,804,546
— bare wires	**395,422**	505,282
— special cables	**1,230,536**	1,024,064
	13,335,190	14,524,221
Cost of goods sold		
— power cables	**7,823,744**	9,139,009
— wires and cables for electrical equipment	**2,765,370**	2,621,690
— bare wires	**351,126**	441,399
— special cables	**970,244**	803,295
	11,910,484	13,005,393

	2020	2019
	RMB'000	*RMB'000*
Segment results		
— power cables	**940,530**	1,051,320
— wires and cables for electrical equipment	**179,588**	182,856
— bare wires	**44,296**	63,883
— special cables	**260,292**	220,769
	1,424,706	1,518,828

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

	2020	2019
	RMB'000	*RMB'000*
Reportable segment results	**1,424,706**	1,518,828
Unallocated income and expenses		
— Other income	**103,469**	95,245
— Selling and distribution costs	**(560,134)**	(429,575)
— Administrative expenses	**(283,047)**	(265,540)
— Research and development costs	**(62,570)**	(62,735)
— Other (losses) gains, net	**(38,331)**	9,022
— Impairment losses under ECL model, net of reversal	**(92,979)**	(101,996)
— Share of results of associates	**(273)**	(10,608)
— Finance costs	**(271,922)**	(292,766)
Profit before taxation	**218,919**	459,875

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, thus, other than reportable segment revenue and segment results as disclosed above, no analysis of segment assets and segment liabilities is presented.

Geographical information

More than 90% of the Group's sales were made to customers in the PRC (country of domicile) for both years. More than 90% of the Group's non-current assets were located in the PRC at 31 December 2020 and 2019.

Information about major customers

The Group had no customers that contributed over 10% of the revenue of the Group for both years.

4. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**39,818**	54,806
Interest income from an associate	**4,926**	4,966
Investment income from structured deposits	**16,766**	22,179
Government subsidies	**12,552**	10,473
Recovery of other receivables written off in prior year	**25,000**	–
Others	**4,407**	2,821
	103,469	95,245

5. OTHER (LOSSES) GAINS, NET

	2020	2019
	RMB'000	*RMB'000*
Write-down of inventories *(Note)*	**(20,249)**	–
Exchange (loss) gain	**(16,565)**	9,302
Impairment loss on interest in an associate	**(2,840)**	–
Fair value gain on financial asset at FVTPL	**1,074**	–
Gain (loss) on disposal of property, plant and equipment	**249**	(356)
Others	**–**	76
	(38,331)	9,022

Note: During the year ended 31 December 2020, write-down of inventories composed of a loss from disassemble of inventories amounting to RMB20,249,000. The Group had inventories damaged and the damaged inventories had been disassembled. The difference between the carrying amounts of the damaged inventories and their respective estimated net realisable values was recognised as write-down of inventories in the consolidated financial statements.

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2020	2019
	RMB'000	*RMB'000*
Impairment losses under ECL model, net of reversal on:		
Trade receivables	**90,336**	81,514
Other receivables	**2,643**	(274)
Loan to an associate	**–**	20,756
	92,979	101,996

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interests on bank borrowings	**271,914**	292,754
Interests on lease liabilities	**8**	12
	271,922	292,766

8. PROFIT BEFORE TAXATION

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**1,786**	2,035
Other staff costs:		
Salaries and other benefits	**254,677**	240,338
Share award expenses	**–**	294
Retirement benefit schemes contribution	**41,485**	47,165
Total staff costs *(Note)*	**297,948**	289,832
Less: Staff costs included in research and development costs	**(24,514)**	(26,381)
	273,434	263,451
Depreciation of property, plant and equipment	**116,395**	107,644
Less: Depreciation included in research and development costs	**(3,571)**	(6,041)
	112,824	101,603
Depreciation of right-of-use assets	**8,503**	8,647
Auditor's remuneration	**2,989**	3,173
Cost of inventories recognised as expenses	**11,884,999**	12,975,083

Note: During the year ended 31 December 2020, the government subsidies of RMB7,764,000 (2019: nil) to the Group in respect of the COVID-19 were recognised as a deduction of the total staff costs.

9. TAXATION

	2020	2019
	RMB'000	*RMB'000*
The charge comprises:		
Current tax		
PRC income tax	**56,046**	98,668
Deferred taxation	**(6,622)**	(22,016)
Taxation charge for the year	**49,424**	76,652

The PRC income tax is calculated at the applicable rates in accordance with the relevant laws and regulations in the PRC. Under the Law ("EIT Law") of the PRC on Enterprise Income Tax ("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) ("Wuxi Jiangnan Cable") and Jiangsu Zhongmei Cable Group Co., Ltd. (江蘇中煤電纜有限公司) ("Zhongmei Cable") were endorsed as High and New Technology Enterprises on 4 March 2009 (renewed on 30 November 2018) and 2 September 2014 (renewed on 2 December 2020) respectively and were entitled to and were charged income tax in the PRC at a reduced income tax rate of 15% till next renewal in 2021 and 2023 respectively.

Dividends distributed by a PRC entity to foreign investors out of its profits generated from 1 January 2008 onwards shall be subject to 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.

No provision for Hong Kong Profits Tax is provided in the consolidated financial statements as the Group did not have assessable profit in Hong Kong during both years.

10. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Final in respect of the previous financial year — HK0.5 cent (2019: nil)	**27,689**	–

The Board does not recommend the declaration and payment of any final dividend for the year ended 31 December 2020 (2019: HK0.5 cent).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company for the year is based on the following data:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**169,495**	383,223

	2020	2019
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme for the purpose of the calculation of basic earnings per share	**6,070,164**	4,425,897
Effect of dilutive potential ordinary shares:		
Shares granted under the share award scheme	**–**	1,396
Weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share	**6,070,164**	4,427,293

For the year ended 31 December 2019, the weighted average number of ordinary shares in issue less shares held for the share award scheme for the purpose of the calculation of basic earnings per share had been adjusted for the rights issue of 2,039,433,000 ordinary shares on the basis of one rights share ("Rights Share") for every two existing shares in issue held on the record date at the subscription price of HK$0.28 per Rights Share, completion of which took place on 22 October 2019.

For the year ended 31 December 2019, the weighted average number of ordinary shares for the purpose of the calculation of diluted earnings per share was adjusted for the shares awarded on 28 January 2016 pursuant to the share award scheme adopted by the Company on 9 September 2015.

12. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred the following capital expenditures on property, plant and equipment:

	2020	2019
	RMB'000	*RMB'000*
Buildings	**3,485**	2,461
Plant and machinery	**48,015**	43,164
Motor vehicles	**6,336**	3,881
Furniture, fixtures and equipment	**17,024**	25,112
Construction in progress	**71,840**	37,721
	146,700	112,339

The Group's buildings are erected on land held under medium-term land use rights in the PRC.

At 31 December 2020, the Group pledged certain of its buildings and machineries with carrying values of RMB146,198,000 and RMB55,118,000 respectively (2019: buildings with carrying values of RMB161,992,000) to certain banks to secure credit facilities granted to the Group.

13. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Raw materials	**69,809**	45,440
Work in progress	**1,365,380**	1,045,693
Finished goods	**2,197,539**	1,909,737
	3,632,728	3,000,870

14. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables, net	**5,280,056**	5,098,862

The Group normally allows credit terms ranging from 30 days to 180 days to its trade debtors.

The following is an aging analysis of trade receivables fully backed by bank bills and not backed by bank bills, net of allowance for credit losses, based on the issuance date of the bills or the invoice date, respectively, at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**2,450,994**	2,597,767
91 to 180 days	**1,116,675**	861,147
181 to 365 days	**618,313**	569,673
Over 365 days	**1,094,074**	1,070,275
	5,280,056	5,098,862

15. TRADE PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**4,526,922**	4,734,360

The Group normally receives credit terms ranging from 30 days to 90 days from its suppliers. The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**1,981,484**	1,973,144
91 to 180 days	**1,032,639**	1,139,182
181 to 365 days	**1,409,906**	1,567,163
Over 365 days	**102,893**	54,871
	4,526,922	4,734,360

16. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Bank borrowings comprise the following:		
— Within 1 year	**3,296,233**	3,252,800
— Within a period of more than one year but not exceeding two years	**196,000**	–
	3,492,233	3,252,800
Less: Amount due within one year shown under current liabilities	**3,296,233**	3,252,800
Amount due after one year shown under non-current liabilities	**196,000**	–
Secured	**514,383**	550,050
Secured and guaranteed by independent third parties	**393,000**	201,900
Unsecured	**1,609,850**	1,327,850
Unsecured and guaranteed by independent third parties	**975,000**	1,173,000
	3,492,233	3,252,800

17. CAPITAL COMMITMENT

	2020	2019
	RMB'000	*RMB'000*
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**57,769**	15,241

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the year ended 31 December 2020, the Group recorded revenue of approximately RMB13,335.2 million, representing a decrease of approximately 8.2% as compared with that for the year ended 31 December 2019, and profit for the year under review of approximately RMB169.5 million, representing a decrease of approximately 55.8% as compared with that for the year ended 31 December 2019. The decrease in the profit for the year under review was mainly due to (i) the decrease in turnover by approximately 8.2% to approximately RMB13,335.2 million for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB14,524.2 million due to the reduced demand for the Group's products during the year under review, as a result of the adverse economic impacts of the COVID-19 pandemic; (ii) the increase in selling and distribution costs by approximately 30.4% to approximately RMB560.1 million for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB429.6 million, which is mainly due to (a) the increase in the costs incurred in providing better technical support and after-sale services to the Group's customers; and (b) the increase in the costs incurred in bidding projects for the Group; (iii) the increase in administrative expenses by approximately 6.6% to approximately RMB283.0 million for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB265.5 million, which is mainly due to the increase in the staff costs and general expenses incurred by the Group for the enhancement of its business and employee health management; and (iv) the turning of an exchange gain for the year ended 31 December 2019 of approximately RMB9.3 million to an exchange loss of approximately RMB16.6 million for the year under review, all partially offset by (1) the increase in other income by approximately 8.6% to approximately RMB103.5 million for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB95.2 million primarily attributable to the combined effect of the recovery of a bad debt which has been written off last year and the decrease in the interest income earned on bank deposits, as a result of the decline in the average balance of the bank deposits placed by the Group during the year under review; (2) the reduction in share of losses from associates by 97.4% to approximately RMB273,000 for the year under review, which amounted to approximately RMB10.6 million for the year ended 31 December 2019; (3) the reduction in impairment losses under ECL model, net of reversal by approximately 8.8% to approximately RMB93.0 million for the year under review, which amounted to approximately RMB102.0 million for the year ended 31 December 2019, mainly due to the amounts and the aging of the Group's trade and other receivables over one year remaining stable during the year under review; (4) the reduction in finance costs by approximately 7.1% to approximately RMB271.9 million for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB292.8 million, mainly attributable to the Group requiring less financing to fund its working capital in the year under review due to the reduction in the demand for its products; and (5) the decrease in taxation by approximately

35.5% to approximately RMB49.4 million for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB76.7 million, as a result of the reduction in the Group's taxable profit for the year under review. The Group's gross profit margin for the year under review increased to approximately 10.7% (year ended 31 December 2019: 10.5%). Basic earnings per share for the year under review was RMB2.79 cents (year ended 31 December 2019: RMB8.66 cents), representing a decrease of approximately 67.8%.

Market Review

In 2020, the national economy in China faced a downward pressure. According to the National Bureau of Statistics of China, China's gross domestic product grew by 2.3% over that in 2019 to RMB101.6 trillion but its growth decreased by 3.8 percentage points from 6.1% in 2019 due to the outbreak of the COVID-19 in 2020 which caused significant adverse impacts on the global economy. China's manufacturing purchasing manager index had been above 50% for ten consecutive months up to December 2020, indicating that the manufacturing industry continues to recover steadily in the PRC. As the power cable industry in the PRC is closely correlated to China's economic environment, the demand of power cable products has been stabilised.

The average price of copper on the London Metal Exchange increased by approximately 2.7% from approximately US$6,006.1 per tonne in 2019 to approximately US$6,168.6 per tonne in 2020. The average price of aluminium increased by approximately 5.0% from approximately US$1,320.5 per tonne in 2019 to approximately US$1,386.6 per tonne in 2020. As the Group prices its products on a cost-plus basis, the increase in average raw materials prices has driven up the Group's average product prices generally, which partially alleviated the drop in turnover of the Group caused by the decrease in the sales volume of the Group during the year under review.

Business Review

In 2020, the Group recorded a turnover of approximately RMB13,335.2 million, representing a decrease of approximately 8.2% as compared with that in 2019. In order to maintain the Group's competitiveness and enhance the Group's productivity, the Group has continued to invest more than RMB50 million every year in machineries for upgrading current production lines and setting up new ones. In recent years, the Group continues to invest to increase its production capacities. To cope with the fierce market competition, in recent years the Group has been aiming at high-end market domestically and overseas, and has been deploying resources to accelerate research and development of new and innovative products, processes and technologies. In 2020, the Group has made remarkable achievements in the research and development of rail transit cables, mining cables, marine cables, energy-saving wires, fire-resistant cables, military cables and other products. Among them, the research and development of military nuclear products has made substantial breakthroughs. In 2020, 13 new products passed the appraisal of scientific and technological achievements, 2 products were listed in the "New Technology and New Product Catalog for Key Promotion and Application in Jiangsu Province" (江蘇省重點推廣應用的新技術新產品目錄), the Group's subway cable product was awarded the first batch of "Quality Products of Jiangsu" (江蘇精品) titles, and the power cable was certified as the national "Enterprise Standard Leader" (企業標準領跑者). The Group also led the formulation of 2 group standards and participated in the formulation of 5 national and industry standards.

In respect of the Group's overseas business, the spread of the COVID-19 around the world and the deterioration of trading environment had an adverse impact on the Group's overseas market business for the year under review. Although the domestic epidemic was basically under control and the Group was one of the first batch enterprises in the resumption of production and work, the global epidemic broke out seriously affected the Group's products export. Sales to the Group's long-term strategic customers has been affected resulting in the overseas turnover of the Group decreased by approximately 52.3% to approximately RMB168.9 million for the year under review (year ended 31 December 2019: RMB354.6 million).

The impact of the COVID-19 on the Group

The COVID-19 pandemic has brought about additional uncertainties in the Group's operating environment in China. The Group's turnover decreased by approximately 8.2% as compared to that in 2019 due to the reduced demand for the Group's products during the year under review, as a result of the adverse economic impacts of the COVID-19 pandemic. This change in customers' demands affected the Group's businesses the most especially in the first quarter of 2020 when most of its customers' operations were suspended due to the implementation of various preventive and emergency measures in the PRC, such as a partial lockdown policy and extension of the Chinese New Year holidays for the sake of minimising the population movement preventing the threat of spreading the epidemic across the PRC. The Group's turnover in the first quarter of 2020 only accounted for approximately 9.4% of the total turnover for the year under review. To avoid the continuing suspension of operations due to the outbreak of COVID-19 in China in early 2020, the Group had put in place various contingency measures including employee health management procedures which were in compliance with the Chinese government's guidelines. The Group was able to resume its operations within a short period after Chinese New Year holidays in 2020. The reduction in demand for the Group's products, on the other hand, lowered the Group's working capital needs. To cope with any unexpected change in demands for the Group's products which might need additional working capital, the Group always maintains sufficient credit facilities with banks to ensure the Group's strong liquidity position. Given that the Chinese government has implemented straightforward and effective measures and policies to monitor and control the COVID-19 pandemic, and with the launch of COVID-19 vaccination in 2020, the Group expects that the impact of the COVID-19 pandemic on the Group's operations will be reduced in the coming year. Nevertheless, the Group will continue to monitor the situation of the epidemic and assess its impact on the Group from time to time.

Turnover and Gross Profit Margin of the Products

	Turnover			Gross Profit Margin		
	2020	2019	% change	**2020**	2019	% change
	RMB'000	*RMB'000*				
Power cables	**8,764,274**	10,190,329	-14.0%	**10.7%**	10.3%	0.4%
Wires and cables for electrical equipment	**2,944,958**	2,804,546	5.0%	**6.1%**	6.5%	-0.4%
Bare wires	**395,422**	505,282	-21.7%	**11.2%**	12.6%	-1.4%
Special cables	**1,230,536**	1,024,064	20.2%	**21.2%**	21.6%	-0.4%
TOTAL	**13,335,190**	14,524,221	-8.2%	**10.7%**	10.5%	0.2%

Turnover

Power cable products — 65.7% of total turnover

For the year under review, the turnover of power cables which accounted for approximately 65.7% of the total turnover of the Group amounted to approximately RMB8,764.3 million, representing a decrease of approximately 14.0% over that in 2019 of approximately RMB10,190.3 million. The sales volume of the Group's power cable products for the year under review decreased by approximately 16.8% to approximately 198,131 km (year ended 31 December 2019: 238,199 km), which was mainly attributed to the outbreak of the COVID-19 in China, which had reduced customers' consumption of the Group's products during the year under review. The increase in the average copper price during the year under review had driven up the average selling price of power cable products for the year under review by approximately 3.4% to approximately RMB44,235 per km (year ended 31 December 2019: RMB42,781 per km).

Gross profit of power cable products for the year under review decreased to approximately RMB940.5 million (year ended 31 December 2019: RMB1,051.3 million), whereas gross profit margin increased slightly to approximately 10.7% (year ended 31 December 2019: 10.3%) mainly due to change in product mix that the sales proportion of higher profit margin products increased during the year under review.

Wires and cables for electrical equipment products — 22.1% of total turnover

For the year under review, the turnover from wires and cables for electrical equipment increased by approximately 5.0% to approximately RMB2,945.0 million (year ended 31 December 2019: RMB2,804.5 million). The sales volume of wires and cables for electrical equipment increased by approximately 9.8% from approximately 1,442,789 km for the year ended 31 December 2019 to approximately 1,584,145 km for the year under review. However, the average selling price of wires and cables for electrical equipment products decreased by approximately 4.4% from approximately RMB1,944 per km for the year ended 31 December 2019 to approximately RMB1,859 per km for the year under review, mainly due to the increase in sales of wires and cables for electrical equipment products with lower selling prices in 2020. Gross profit for the year under review decreased to approximately RMB179.6 million (year ended 31 December 2019: RMB182.9 million) and gross profit margin decreased to approximately 6.1% (year ended 31 December 2019: 6.5%), mainly due to the fierce market competition of wires and cables for electrical equipment products.

Bare wire products — 3.0% of total turnover

For the year under review, the turnover of bare wires decreased by approximately 21.7% during the year under review to approximately RMB395.4 million (year ended 31 December 2019: RMB505.3 million). The sales volume of bare wires decreased significantly by approximately 25.7% to approximately 28,029 tonnes for the year under review (year ended 31 December 2019: 37,726 tonnes). The average price of bare wire products increased by approximately 5.3% to approximately RMB14,108 per tonne for the year under review (year ended 31 December 2019: RMB13,394 per tonne) which was in line with the increase in average price of aluminium in 2020. The gross profit and gross profit margin decreased by approximately 30.7% and 1.4% respectively to approximately RMB44.3 million and 11.2% for the year under review (year ended 31 December 2019: RMB63.9 million and 12.6%) due to the reduction of sales in high and ultra-high voltage bare wires with higher gross profit margin during the year under review.

Special cable products — 9.2% of total turnover

For the year under review, the turnover of special cables increased by approximately 20.2% to approximately RMB1,230.5 million (year ended 31 December 2019: RMB1,024.1 million). The sales volume of special cables for the year ended 31 December 2020 increased by approximately 12.3% to approximately 61,918 km (year ended 31 December 2019: 55,114 km) due to the increase in infrastructure investments in the railway transportation industry, which has provided support to the stable growth of the demand for the special cables of the Group. The average selling price of special cables increased by approximately 7.0% from approximately RMB18,581 per km for the year ended 31 December 2019 to approximately RMB19,874 per km for the year under review. This increase in the average selling price was mainly due to the increase in the average price of copper and the increase in the sales of cables with special functionality which carried higher production costs during the year under review. However, the gross profit margin of special cables decreased by approximately 0.4% to approximately 21.2% (year ended 31 December 2019: 21.6%) due to the change of product mix during the year under review.

Turnover by Geographical Markets

The PRC remained the Group's key market during the year under review. The turnover in the PRC market for the year under review decreased by approximately 7.1% to approximately RMB13,166.3 million (year ended 31 December 2019: RMB14,169.6 million), which accounted for approximately 98.7% (year ended 31 December 2019: 97.6%) of the Group's total turnover, and such decrease was primarily due to the outbreak of the COVID-19 which had reduced customers' consumption of the Group's products during the year under review.

The turnover contributed by the overseas markets decreased by approximately RMB185.7 million or approximately 52.3% to approximately RMB168.9 million for the year under review (year ended 31 December 2019: RMB354.6 million). This decrease was mainly attributable to the decrease in sales in certain major oversea markets, such as Singapore, Vietnam and South Africa, as a result of the outbreak of the COVID-19 in those countries during the year under review.

Cost of Goods Sold

Cost of goods sold which was composed of the costs of raw materials, production costs and direct labour costs, decreased by approximately 8.4% to approximately RMB11,910.5 million during the year under review (year ended 31 December 2019: RMB13,005.4 million). The costs of raw materials accounted for approximately 96.1% of cost of goods sold for the year under review (year ended 31 December 2019: 96.0%), of which copper and aluminium were the Group's major raw materials, accounting for approximately 78.8% of the cost of goods sold for the year under review on aggregate basis (year ended 31 December 2019: 78.7%). Direct labour costs remained at approximately 1.2% of the total cost of goods sold for the year under review (year ended 31 December 2019: 1.3%). The remaining balance of approximately 2.7% of the cost of goods sold for the year under review (year ended 31 December 2019: 2.7%) 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.

Profit For The Year

Profit for the year under review decreased by approximately 55.8% from approximately RMB383.2 million for the year ended 31 December 2019 to approximately RMB169.5 million. The decrease was mainly attributable to (i) the decrease in turnover by approximately 8.2% to approximately RMB13,335.2 million for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB14,524.2 million due to the reduced demand for the Group's products during the year under review, as a result of the adverse economic impacts of the COVID-19 pandemic; (ii) the increase in selling and distribution costs by approximately 30.4% to approximately RMB560.1 million for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB429.6 million, which is mainly due to (a) the increase in the costs incurred in providing better technical support and after-sale services to the Group's customers; and (b) the increase in the costs incurred in bidding projects for the Group; (iii) the increase in administrative expenses by approximately 6.6% to approximately RMB283.0 million for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB265.5 million, which is mainly due to the increase in the staff costs and general expenses incurred by the Group for the enhancement of its business and employee health management; and (iv) the turning of an exchange gain for the year ended 31 December 2019 of approximately RMB9.3 million to an exchange loss of approximately RMB16.6 million for the year under review, all partially offset by (1) the increase in other income by approximately 8.6% to approximately RMB103.5 million for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB95.2 million primarily attributable to the combined effect of the recovery of a bad debt which has been written off last year and the decrease in the interest income earned on bank deposits, as a result of the decline in the average balance of the bank deposits placed by the Group during the year under review; (2) the reduction in share of losses from associates by 97.4% to approximately RMB273,000 for the year under review, which amounted to approximately RMB10.6 million for the year ended 31 December 2019; (3) the reduction in impairment losses under ECL model, net of reversal by approximately 8.8% to approximately RMB93.0 million for the year under review, which amounted to approximately RMB102.0 million for the year ended 31 December 2019, mainly due to the amounts and the aging of the Group's trade and other receivables over one year remaining stable during the year under review; (4) the reduction in finance costs by approximately 7.1% to approximately RMB271.9 million for the year under review as compared with those for the year ended 31 December 2019 of approximately RMB292.8 million, mainly attributable to the Group requiring less financing to fund its working capital in the year under review due to the reduction in the demand for its products; and (5) the decrease in taxation by approximately 35.5% to approximately RMB49.4 million for the year under review as compared with that for the year ended 31 December 2019 of approximately RMB76.7 million, as a result of the reduction in the Group's taxable profit for the year under review.

Selling and Distribution Costs

During the year under review, selling and distribution costs mainly represented the Group's salary and welfare expenses for employees involved in selling and distribution activities, services costs for providing technical supports and after-sales services, 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 RMB130.6 million, or approximately 30.4%, from approximately RMB429.6 million for the year ended 31 December 2019 to approximately RMB560.1 million for the year under review. This increase in selling and distribution costs was mainly due to (i) the increase in the costs incurred in providing better technical supports and after-sales services to the Group's customers; and (ii) the increase in the costs incurred in bidding projects for the Group. The selling and distribution costs as a percentage of turnover increased by approximately 1.2% to approximately 4.2% for the year under review (year ended 31 December 2019: 3.0%).

Administrative Expenses

The administrative expenses increased by approximately RMB17.5 million, or approximately 6.6%, from approximately RMB265.5 million for the year ended 31 December 2019 to approximately RMB283.0 million for the year under review, mainly due to the increase in staff costs and general expenses incurred by the Group for the enhancement of its business and employee health management during the year under review. The administrative expenses as a percentage of turnover increased from approximately 1.8% for the year ended 31 December 2019 to approximately 2.1% for the year under review.

Research and Development Costs

The research and development costs decreased slightly by approximately 0.3% from approximately RMB62.7 million for the year ended 31 December 2019 to approximately RMB62.6 million for the year under review. The Group committed to spending on technological research and development of new products which are expected to contribute higher gross profit margin to the Group (such as the high voltage power cables for charging of new energy vehicles).

Other (Losses) Gains, Net

Other (losses) gains, net were mainly composed of exchange gain (loss), gain (loss) on disposal of property, plant and equipment and write-down of inventories. Other (losses) gains, net turned from net gain of approximately RMB9.0 million for the year ended 31 December 2019 to net loss of approximately RMB38.3 million for the year under review, which were mainly due to the turning of an exchange gain of approximately RMB9.3 million for the year ended 31 December 2019 to an exchange loss of approximately 16.6 million for the year under review and one-off write-down of inventories during the year under review (year ended 31 December 2019: nil).

Impairment Losses under ECL Model, Net of Reversal

Impairment losses under ECL model, net of reversal represented the net impairment losses on trade and other receivables as well as loan to an associate, which decreased by approximately RMB9.0 million, or approximately 8.8%, from approximately RMB102.0 million for the year ended 31 December 2019 to approximately RMB93.0 million for the year under review. This decrease was mainly due to the amounts and the aging of the Group's trade and other receivables over one year remaining stable during the year under review.

Finance Costs

Finance costs decreased by approximately 7.1% from approximately RMB292.8 million for the year ended 31 December 2019 to approximately RMB271.9 million for the year under review, which was mainly attributable to the Group requiring less financing to fund its working capital in the year under review due to the reduction in the demand for its products. Finance costs as a percentage of turnover remained stable at approximately 2.0% for both years.

Financial Position and Liquidity

As at 31 December 2020, total assets of the Group amounted to approximately RMB15,771.8 million (31 December 2019: RMB15,579.5 million), representing an increase of approximately 1.2%.

Non-current assets increased by approximately 2.9% from approximately RMB1,287.2 million as at 31 December 2019 to approximately RMB1,324.3 million as at 31 December 2020. The increase was mainly due to the net effect of addition of property, plant and equipment, the increase in the fair value of equity instrument at FVTOCI, the increase in deferred tax assets, the decrease in loan to an associate and the depreciation charged during the year under review.

Current assets increased by approximately 1.1% from approximately RMB14,292.3 million as at 31 December 2019 to approximately RMB14,447.6 million as at 31 December 2020, which was mainly due to the increase in the inventories as at 31 December 2020, which was partially offset by the decrease in the bank balances and cash as at 31 December 2020.

As at 31 December 2020, the Group had bank balances and cash of approximately RMB1,748.1 million (31 December 2019: RMB2,222.5 million), structured deposits of approximately RMB539.8 million (31 December 2019: RMB604.6 million), bank deposits with original maturity over three months of approximately RMB743.0 million (31 December 2019: RMB861.3 million) and pledged bank deposits of approximately RMB2,093.8 million (31 December 2019: RMB2,069.8 million).

Total interest-bearing bank borrowings increased by approximately 7.4% from approximately RMB3,252.8 million as at 31 December 2019 to approximately RMB3,492.2 million as at 31 December 2020. Of the Group's total bank loans outstanding as at 31 December 2020, approximately 99.2% (31 December 2019: 97.2%) of short-term borrowings were made by the Company's subsidiaries in the PRC, namely Wuxi Jiangnan Cable, Wuxi New Suneng Electric Power Science & Technology Co., Ltd, Zhongmei Cable, Jiangsu Kai Da Cable Company Limited and Wuxi New Sun Cable Company Limited. These loans were not guaranteed by the Company.

Total equity as at 31 December 2020 was approximately RMB6,439.2 million, which was approximately 2.1% higher than the same as at 31 December 2019 of approximately RMB6,308.2 million. Such increase in total equity was mainly attributable to the contribution from net profits which were partially offset by the declaration and payment of 2019 final dividend in the year under review.

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, bank deposits with original maturity over three months and pledged bank deposits) of approximately negative RMB1,092.6 million over total equity of approximately RMB6,439.2 million as at 31 December 2020, dropped from approximately -30.1% as at 31 December 2019 to approximately -17.0% as at 31 December 2020. The deterioration in the net-debt-to-equity ratio as at 31 December 2020 as compared with that as at 31 December 2019, was mainly due to the decrease in the bank balances held by the Group as at 31 December 2020.

The Group had sufficient committed but unused banking facilities of approximately RMB2,233.1 million as at 31 December 2020 (31 December 2019: RMB1,918.3 million) to meet the needs of the Group's business development. There was no material seasonality in relation to the borrowing requirements of the Group.

As at 31 December 2020, the Group has pledged certain of its leasehold lands, buildings and machineries with carrying value of approximately RMB274.2 million, RMB146.2 million and RMB55.1 million respectively (31 December 2019: leasehold lands and buildings with carrying values of approximately RMB281.2 million and RMB162.0 million respectively) to certain banks to secure the credit facilities granted to the Group.

During the year under review, the Group's borrowings were mainly denominated in RMB and carried interests at a premium over the RMB benchmark loan interest rates for financial institutions set by the People's Bank of China. As at 31 December 2020, the majority of the Group's bank balances and cash were denominated in RMB. As the Group's revenue was mainly denominated in RMB and its major expenses were denominated in either RMB or Hong Kong Dollars, the Group faced relatively low currency risk during the year under review.

Contingent Liabilities

As at 31 December 2020, neither the Group nor the Company had any significant contingent liabilities (31 December 2019: nil).

Use of Net Proceeds

Net proceeds from the Initial Public Offering ("Listing")

The net proceeds from the Listing (after deducting underwriting fees and related expenses) amounted to approximately HK$448.1 million. The amount of unutilised net proceeds from the Listing of approximately HK$51.5 million was brought forward in the year of 2019. The actual use of the net proceeds from the Listing as at 31 December 2020 are as follows:

	Intended use of net proceeds as stated in the prospectus of the Company dated 10 April 2012	**Actual use of net proceeds as at 31 December 2020**
	HK$'million	*HK$'million*
Setting up production facilities for aluminium alloy and double capacity conductors	115.0	115.0
Setting up a manufacturing facility in South Africa	97.0	97.0
Upgrade and expansion of existing production facilities and enhancement of research and development capabilities	74.0	74.0
Potential acquisitions of the Group	14.1	14.1
Expansion of the Group's production facilities for high and extra-high voltage cables	148.0	108.6
Total	448.1	408.7

During the year under review, the net proceeds from the Listing of approximately HK$12.1 million were used in the expansion of the Group's production facilities for high and extra-high voltage cables. As at the date hereof, the unutilised net proceeds from the Listing amounted to approximately HK$39.4 million, which are expected to be used in the expansion of the Group's production facilities for high and extra-high voltage cables in the coming year.

Net proceeds from the Rights Issue ("Rights Issue")

On 26 August 2019, the Company announced to raise approximately HK$571.0 million before expenses by way of the Rights Issue. The subscription price of HK$0.28 per rights share ("Rights Share") represented a discount of 13.8% to the closing price of HK$0.325 per share of the Company on 26 August 2019, being the date of the underwriting agreement for the Rights Issue. The Directors considered that it is prudent to finance the Group's long term growth by way of the Rights Issue which will not only strengthen the Group's capital base and enhance its financial position without increasing finance costs, but will also allow all qualifying shareholders of the Company the opportunity to participate in the growth of the Group through the Rights Issue at a price lower than the then current market price of the shares of the Company.

The completion of the Rights Issue took place on 22 October 2019. A total of 2,039,433,000 ordinary shares of the Company were allotted and issued to the qualifying shareholders of the Company pursuant to the Rights Issue and the subscribers procured by the underwriter pursuant to the underwriting agreement for the Rights Issue and the net proceeds after deduction of expenses from the Rights Issue were approximately HK$555.5 million. On this basis, the net issue price per Rights Share was approximately HK$0.27 and the aggregate nominal value of the Rights Shares was HK$20,394,330. Details of the Rights Issue are set out in the Company's announcements dated 26 August 2019 and 22 October 2019 and the prospectus of the Company dated 27 September 2019. The actual use of the net proceeds from the Rights Issue as at 31 December 2020 are as follows:

	Intended use of net proceeds as stated in the prospectus of the Company dated 27 September 2019	**Actual use of net proceeds as at 31 December 2020**	**Unutilised net proceeds as at 31 December 2020**
	HK$'million	*HK$'million*	*HK$'million*
Expansion of the Group's production facilities for mid-rated voltage power cables	218.2	97.5	120.7
Upgrade and development of the Group's production facilities for flexible fire-proof cables	37.9	26.5	11.4
Upgrade and expansion of the Group's existing production facilities and management systems	46.9	46.9	–
Repayment of borrowings of the Group	120.0	120.0	–
Potential investment or acquisitions of the Group	110.0	–	110.0
General working capital of the Group	22.5	22.5	–
Total	555.5	313.4	242.1

The unutilised net proceeds from the Rights Issue are expected to be used according to the intended use of net proceeds as stated the the prospectus of the Company dated 27 September 2019 in the coming two years.

Dividend

The Board does not recommend the declaration and payment of any final dividend for the year ended 31 December 2020 (2019: HK0.5 cent) to the shareholders of the Company.

Closure of Register of Members

For the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company ("AGM"), the register of members of the Company will be closed from 14 May 2021 to 20 May 2021, both dates inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on 13 May 2021.

Employees and Remuneration

As at 31 December 2020, the Group had a total of 3,440 (31 December 2019: 3,284) employees. Remuneration packages offered to the employees of the Group are in line with industry practices and are reviewed annually. The award of bonuses is discretionary and is based on the performance of, firstly, the individual employee, and secondly, the Group.

The Board has adopted a share award scheme ("Share Award Scheme") on 9 September 2015 as an incentive to recognise the contributions by the employees, executives, officers and directors of the Group ("Qualified Employees"), with a view to retaining them for the continuing operation and development of the Group and to attracting suitable personnel for further development of the Group.

During the year ended 31 December 2020, no share of the Company (year ended 31 December 2019: nil) was awarded to any Qualified Employee pursuant to the Share Award Scheme and no share of the Company awarded on 28 January 2016 (year ended 31 December 2019: 7,800,000 shares) was vested to the Qualified Employees pursuant to the Share Award Scheme.

Property, Plant and Equipment

The Group's property, plant and equipment increased from approximately RMB882.9 million as at 31 December 2019 to approximately RMB910.5 million as at 31 December 2020, representing an increase of approximately 3.1%. This increase was mainly attributed to the net effect of the addition of plants and machineries for the power cable production lines of the Group and the depreciation charged on property, plant and equipment during the year under review.

OUTLOOK AND PROSPECTS

In 2021, the Group will continue to be exposed to great financial pressures and challenges due to the global and domestic macroeconomic conditions. There are many uncertainties in the changes of the COVID-19 epidemic and the internal and external environment. Given China's not yet solid economic foundation and the world's complex and difficult economic situations amid an unstable and uneven recovery, various risks associated with the epidemic cannot be ignored. As China's relationship with the United States and some other countries has been shifted from cooperating rivals to competing rivals, it is expected that their efforts to restrict and stifle China's development will continue for a long time. The Chinese government's policy of "housing for living, not for speculation", control over state grid investment and production restriction and restructuring for the coal industry also have a certain impact on the existing market. The epidemic is still severe overseas. As at the date of this announcement, the cumulative number of confirmed cases of the COVID-19 worldwide had exceeded 100 million. Mutations in the COVID-19 virus may cause another surge in global cases and accelerate the spread of the epidemic, which will inevitably pose serious challenges to the global economy and affect the Group's business in overseas markets.

Despite all these, the foundation of the Chinese economy remains strong with a large and fast-growing market of great potential. Great opportunities come with the government's strategy of expanding domestic demand, important initiative to ensure "stability on the six fronts and security in the six areas"* (六穩六保) (referring to stability in employment, finance, foreign trade, foreign investment, domestic investment, and market expectations and security in safeguarding employment, people's livelihoods, the development of market entities, food and energy security, the stable operation of industrial and supply chains, and the smooth functioning of society), new infrastructure construction as well as the implementation of the "One Belt One Road"* (一帶一路) initiative, the integration of the Yangtze River Delta and Pearl River Delta development and the construction of Xiong'an New Area and free trade zones. All these measures will create opportunities for the development of the Group in 2021 especially in the following aspects:

* *For identification purposes only*

1 In 2021, China will accelerate the integration of Beijing-Tianjin-Hebei transportation and the construction of the comprehensive transportation system in the Xiong'an New Area, the construction of the comprehensive three-dimensional transportation corridor in the Yangtze River Economic Belt, the development of transportation in the Guangdong-Hong Kong-Macao Greater Bay Area, the high-quality integrated development of transportation in the Yangtze River Delta, the ecological protection and high-quality development of transportation in the Yellow River Basin and the development of transportation in a two-city economic circle in the Chengdu-Chongqing region. Around RMB2.4 trillion is expected to be invested in fixed assets in transportation throughout the year.

2 Mao Weiming, Chairman and Party Secretary of State Grid Corporation of China ("State Grid"), said in an interview with Xinwen Lianbo, a daily news programme produced by China Central Television (CCTV), that State Grid would continue to strengthen the construction of power grids to develop a modern power grid that is safe, reliable, green, smart, interconnected and with mutual benefits. The investment in power grids and related industries is expected to reach RMB6 trillion during the "14th Five-Year Plan" period.

3 In 2021, "new infrastructures" (which are principally focused in seven major sectors including 5G networks, ultra-high voltage, inter-city express railway and inner-city rail systems, charging poles for new energy automobiles, big data centres, artificial intelligence as well as industrial internet) will continue to be the driving force for economic growth. In terms of data centres, the total investment during 2020-2022 will amount to approximately RMB1.5 trillion. In terms of investment in industrial internet, the cumulative investment during 2020 to 2025 will reach around RMB650 billion. With respect to 5G networks, the cumulative investment from 2019 to 2026 will exceed RMB2.6 trillion. In the next three years, the investment in artificial intelligence will exceed RMB100 billion.

As the market is full of opportunities, the Group will squeeze the opportunities for its development by improving its marketing quality, management, and service capabilities. The Group will focus on the following areas in its business operations in 2021:

1. the Group will adhere to focusing on marketing by sales personnel with the aid of internal sales channels, continue to update marketing strategy and concepts, and proactively integrate into the dual-cycle development strategy of marketing. The Group will explore deeper into existing mature markets with emphasis on key areas and core customer markets in order to develop the high-quality sales development by the way of targeting at high-end markets.

2. the Group will further intensify its efforts to tap into new markets. The Group will expand its customer's base in second-tier and third-tier cities in China with urgent, high demand and great influence and pay attention to the development of remote markets. The Group will put an extra effort to develop international markets by exposure to the "One Belt One Road"* (一帶一路) initiative and participating in the supply of supporting facilities overseas. It will take the initiative to attend international exhibitions, where possible, to enhance its international exposure and reputation.

3. the Group will strive for excellence. It will effectively assess the overall quality of projects, fight against counterfeiting and faking of its brand products, strengthen efforts to collect loans in arrears in a faster way, do its best to avoid operating risks, and improve efficiency and quality.

4. the Group will intensify its efforts to train marketing managers and management team building, nurture talented employees, keep exploring new service models to customers, improve service standards to shorten response time and improve service quality.

5. the Group will computerize the operations and knowledge management of the Group holistically and promote safe production and green manufacturing to a new higher level. In 2021, the Group plans to install four more imported cross-linked cable production lines including two production lines for 35kV ultra-high-speed medium-voltage cross-linked cables, one production line for 110kV PP cables and one production line for 110kV cross-linked cables and import two German concentric stranding machines.

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

For the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company.

* *For identification purposes only*

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("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. The Company has not had a separate chairman and chief executive officer during the year 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 then in force during the year ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on securities transactions by 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 ("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 year ended 31 December 2020.

As required by the Company, relevant officers and employees of the Company are also bound by the Model Code, which prohibits them from dealing 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 year ended 31 December 2020 was noted by the Company.

AUDIT COMMITTEE

The audit committee of the Board ("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 and audited consolidated annual results of the Group for the year ended 31 December 2020.

During the year under review, the members of the Audit Committee were Mr. Kan Man Yui Kenneth (chairman), Mr. He Zhisong and Mr. Yang Rongkai, all being independent non-executive Directors.

The information contained in this announcement has been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Company's audited consolidated financial statements for the year as approved by the Board on 24 March 2021. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, the Hong Kong Standards on Review Engagements or the Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE COMPANY AND OF THE STOCK EXCHANGE

This announcement of the audited consolidated financial statements of the Group for the year ended 31 December 2020 is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.jiangnangroup.com). The annual report of the Company for the year ended 31 December 2020 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 of the Board would like to take this opportunity to express his sincere gratitude to the shareholders of the Company, investors, business partners, customers and suppliers of the Group for their continuing support and to thank the Group's management team and all staff for their dedication and contribution in the past.

On behalf of the Board
Jiangnan Group Limited
Chu Hui
Chairman and chief executive officer

Hong Kong, 24 March 2021

As at the date of this announcement, the Board comprises three executive directors, namely Mr. Chu Hui, Ms. Xia Yafang and Mr. Jiang Yongwei; and three independent non-executive directors, namely Mr. He Zhisong, Mr. Yang Rongkai and Mr. Kan Man Yui, Kenneth.