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 MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 76.2% to RMB8,805.2 million (2020: RMB4,996.7 million)
- Gross profit increased by approximately 75.0% to RMB935.5 million (2020: RMB534.6 million)
- Profit for the period increased by approximately 607.5% to RMB146.2 million (2020: RMB20.7 million)
- Basic earnings per share increased by approximately 608.8% to RMB2.41 cents (2020: RMB0.34 cents)

The board (the "Board") of directors (the "Directors") of Jiangnan Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended	
		30.6.2021	30.6.2020
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Turnover	*3*	**8,805,187**	4,996,722
Cost of goods sold		**(7,869,680)**	(4,462,085)
Gross profit		**935,507**	534,637
Other income	*4*	**55,281**	32,286
Selling and distribution costs		**(305,587)**	(221,464)
Administrative expenses		**(168,722)**	(134,807)
Research and development costs		**(33,967)**	(30,838)
Other losses, net	*5*	**(14,807)**	(13,867)
Impairment losses under expected credit loss ("ECL") model, net of reversal	*6*	**(142,852)**	(3,368)
Share of results of associates		**(2,004)**	2,072
Finance costs		**(145,807)**	(135,490)
Profit before taxation	*7*	**177,042**	29,161
Taxation	*8*	**(30,880)**	(8,503)
Profit for the period		**146,162**	20,658
Other comprehensive income for the period			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**(1,557)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**12,445**	(8,216)
Total comprehensive income for the period		**157,050**	12,442
Earnings per share	*10*		
— Basic and diluted		**RMB2.41 cents**	RMB0.34 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	30.6.2021 RMB'000 (unaudited)	31.12.2020 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**915,889**	910,493
Right-of-use assets		**344,071**	294,052
Deposits paid for acquisition of property, plant and equipment		**6,298**	7,301
Goodwill		**54,775**	54,775
Interests in associates		**–**	–
Loan to an associate		**27,709**	27,102
Equity instrument at fair value through other comprehensive income		**4,527**	6,084
Deferred tax assets		**43,953**	24,447
		1,397,222	1,324,254
Current assets			
Inventories		**3,996,890**	3,632,728
Trade and other receivables	*12*	**7,810,806**	5,647,058
Financial asset at fair value through profit or loss ("FVTPL")		**–**	43,156
Structured deposits		**11,000**	539,769
Pledged bank deposits		**1,916,746**	2,093,794
Bank deposits with original maturity over three months		**370,000**	743,000
Bank balances and cash		**1,019,824**	1,748,085
		15,125,266	14,447,590
Current liabilities			
Trade and other payables	*13*	**4,695,524**	4,894,338
Contract liabilities		**999,651**	783,753
Amounts due to directors		**4,365**	4,178
Bank borrowings	*14*	**3,843,395**	3,296,233
Lease liabilities		**325**	339
Taxation payable		**124,095**	94,087
		9,667,355	9,072,928
Net current assets		**5,457,911**	5,374,662
Total assets less current liabilities		**6,855,133**	6,698,916
Non-current liabilities			
Lease liabilities		**–**	157
Bank borrowings	*14*	**194,000**	196,000
Deferred tax liabilities		**64,850**	63,526
		258,850	259,683
Net assets		**6,596,283**	6,439,233
Capital and reserves			
Share capital	*15*	**51,350**	51,350
Reserves		**6,544,933**	6,387,883
Total equity		**6,596,283**	6,439,233

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 (the "HKICPA") as well as with the applicable disclosure requirements in Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the 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 the 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 income, selling and distribution costs, administrative expenses, research and development costs, other losses, net, impairment losses under ECL model, net of reversal, share of results of associates and finance costs 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 is as follows:

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue		
— power cables	**6,034,028**	3,289,309
— wires and cables for electrical equipment	**1,890,597**	1,042,187
— bare wires	**188,805**	185,516
— special cables	**691,757**	479,710
	8,805,187	4,996,722
Cost of goods sold		
— power cables	**5,402,720**	2,926,076
— wires and cables for electrical equipment	**1,756,864**	989,353
— bare wires	**175,884**	163,693
— special cables	**534,212**	382,963
	7,869,680	4,462,085
Segment results		
— power cables	**631,308**	363,233
— wires and cables for electrical equipment	**133,733**	52,834
— bare wires	**12,921**	21,823
— special cables	**157,545**	96,747
	935,507	534,637

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

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Reportable segment results	**935,507**	534,637
Unallocated income and expenses		
— Other income	**55,281**	32,286
— Selling and distribution costs	**(305,587)**	(221,464)
— Administrative expenses	**(168,722)**	(134,807)
— Research and development costs	**(33,967)**	(30,838)
— Other losses, net	**(14,807)**	(13,867)
— Impairment losses under ECL model, net of reversal	**(142,852)**	(3,368)
— Share of results of associates	**(2,004)**	2,072
— Finance costs	**(145,807)**	(135,490)
Profit before taxation	**177,042**	29,161

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 ("China" or the "PRC") (country of domicile) for both reporting periods. More than 90% of the Group's non-current assets were located in the PRC at 30 June 2021 and 31 December 2020.

Information about major customers

The Group had no customer that contributed over 10% of the total turnover of the Group in any of the reporting periods.

4. OTHER INCOME

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**18,513**	18,864
Interest income from an associate	**2,332**	2,465
Investment income from structured deposits	**23,202**	4,187
Government subsidies *(Note)*	**8,635**	6,156
Others	**2,599**	614
	55,281	32,286

Note: The 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, and all of them had no specific conditions imposed.

5. OTHER LOSSES, NET

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Exchange loss	**14,800**	15,440
Gain on disposal of property, plant and equipment	**(128)**	(88)
Fair value gain on financial asset at FVTPL	**–**	(1,270)
Others	**135**	(215)
	14,807	13,867

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment losses under ECL model, net of reversal on:		
Trade receivables	**136,415**	20,581
Other receivables	**4,101**	(17,213)
Loan to an associate	**2,336**	–
	142,852	3,368

7. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit has been arrived at after charging:		
Interest on bank borrowings	**145,803**	135,488
Interest on lease liabilities	**4**	2
	145,807	135,490
Cost of inventories recognised as expenses	**7,857,573**	4,452,322
Depreciation of property, plant and equipment	**57,825**	56,351
Depreciation of right-of-use assets	**4,531**	4,241

8. TAXATION

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
PRC income tax	**49,062**	9,414
Deferred taxation	**(18,182)**	(911)
Taxation charged for the period	**30,880**	8,503

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 onwards. 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) and Jiangsu Zhongmei Cable Group Co., Ltd. (江蘇中煤電纜有限公司) were endorsed as a High and New Technology Enterprise 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 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.

Taxation arising from South Africa is calculated at the rate prevailing in South Africa. The Group did not have assessable profit arising from its subsidiary in South Africa for both periods.

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

9. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

10. 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 months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (Profit for the period attributable to the owners of the Company)	**146,162**	20,658

	Six months ended	
	30.6.2021	30.6.2020
	'000	*'000*
	(unaudited)	(unaudited)
		(restated)
Number of shares		
Weighted average number of ordinary shares in issue less shares held under the share award scheme for the purpose of calculation of basic and diluted earnings per share	**6,070,164**	6,070,164

The diluted earnings per share was the same as the basic earnings per share as there were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021 and 2020, the Group incurred the following capital expenditures on property, plant and equipment:

	Six months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Buildings	**–**	3,691
Plant and machinery	**25,643**	16,211
Furniture, fixtures and equipment	**9,864**	14,722
Motor vehicles	**3,517**	2,290
Construction in progress	**24,261**	50,140
Total	**63,285**	87,054

During the six months ended 30 June 2021, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB65,000 (six months ended 30 June 2020: RMB107,000) for cash proceeds of approximately RMB193,000 (six months ended 30 June 2020: RMB195,000), resulting in a gain on disposal of approximately RMB128,000 (six months ended 30 June 2020: RMB88,000).

The Group did not enter into any new lease agreements in respect of property, plant and equipment during the six months ended 30 June 2021, whereas it entered into new lease agreements for the use of buildings for two years during the six months ended 30 June 2020, under which it was required to make fixed monthly payments during the contract period. While the Group did not recognise any right-of-use assets and lease liabilities on commencement of the lease agreements during the six months ended 30 June 2021, it recognised approximately RMB646,000 of right-of-use assets and approximately RMB646,000 of lease liabilities on commencement of the lease agreements during the six months ended 30 June 2020.

As at 30 June 2021, the Group has pledged certain of its buildings and machinery with carrying values of approximately RMB150,701,000 and approximately RMB108,405,000 (31 December 2020: RMB146,198,000 and RMB55,118,000) respectively to certain banks to secure credit facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables from contract with customers	**7,319,204**	5,791,408
Less: Allowance for credit losses	**(647,767)**	(511,352)
Trade receivables, net	**6,671,437**	5,280,056
Deposits paid to suppliers	**947,532**	121,699
Prepayments	**30,064**	34,622
Staff advances	**29,459**	27,913
Tender deposits	**100,016**	85,943
Value-added tax receivables	**1,022**	1,328
Prepayment to an unlisted investment fund	**–**	78,104
Other receivables	**31,276**	17,393
	7,810,806	5,647,058

At 30 June 2021, total bills received amounting to approximately RMB1,373,271,000 (31 December 2020: RMB1,136,959,000) were held by the Group for future settlement of trade receivables.

The Group maintains a defined credit policy. The Group normally allows credit terms ranging from 30 days to 180 days to its trade debtors. The ageing analysis of trade receivables, net of allowance for credit losses, based on the invoice date at the end of the reporting periods is as follows:

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**3,652,111**	2,450,994
91 to 180 days	**1,117,313**	1,116,675
181 to 365 days	**1,096,665**	618,313
Over 365 days	**805,348**	1,094,074
	6,671,437	5,280,056

At 30 June 2021, included in the Group's trade receivables balance were debtors with an aggregate carrying amount of approximately RMB2,660,237,000 (31 December 2020: RMB2,336,984,000) which were past due as at the reporting date. Out of the past due balance, approximately RMB2,405,116,000 (31 December 2020: RMB2,207,697,000) has been past due 90 days or more and was not considered as in default based on the good repayment records of those debtors and continuous business relationships with the Group. Other than the bills receivables amounting to approximately RMB1,373,271,000 (31 December 2020: RMB1,136,959,000), the Group did not hold any collateral over these balances.

At 30 June 2021, bills receivables with an aggregate carrying amount of approximately RMB54,744,000 (31 December 2020: RMB72,648,000) have been pledged as security for the Group's borrowings.

13. TRADE AND OTHER PAYABLES

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**4,301,330**	4,526,922
Payroll and welfare accruals	**77,699**	110,737
Consideration payables *(Note a)*	**130,698**	130,698
Loans advanced from staff *(Note b)*	**33,794**	16,010
Other tax payables	**25,594**	31,613
Other deposits	**3,000**	2,896
Other payables and accruals	**123,409**	75,462
	4,695,524	4,894,338

Included in the Group's trade payables at 30 June 2021 were bills payables of approximately RMB2,454,473,000 (31 December 2020: RMB2,356,148,000).

Notes:

(a) The amount represents consideration payables by the Group in connection with the acquisition of subsidiaries in prior years.

(b) The amount represents loans advanced from the staff of the Group which were unsecured, non-interest bearing and repayable on demand.

The Group is normally granted credit terms ranging from 30 days to 90 days by its suppliers. The ageing analysis of trade and bills payables based on the invoice date at the end of the reporting periods is as follows:

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**2,257,070**	1,981,484
91 to 180 days	**1,060,527**	1,032,639
181 to 365 days	**898,683**	1,409,906
Over 1 year	**85,050**	102,893
	4,301,330	4,526,922

14. BANK BORROWINGS

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Bank borrowings comprise the following:		
— Within one year	**3,843,395**	3,296,233
— Within a period of more than one year but not exceeding two years	**194,000**	196,000
	4,037,395	3,492,233
Less: Amount due within one year shown under current liabilities	**(3,843,395)**	(3,296,233)
Amount due after one year shown under non-current liabilities	**194,000**	196,000
Secured	**545,245**	514,383
Secured and guaranteed by independent third parties	**418,100**	393,000
Unsecured	**1,941,850**	1,609,850
Unsecured and guaranteed by independent third parties	**1,132,200**	975,000
	4,037,395	3,492,233
The bank borrowings comprise:		
Variable rate borrowings	**320,695**	278,833
Fixed rate borrowings	**3,716,700**	3,213,400
	4,037,395	3,492,233

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

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Euro	**74,695**	75,833

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

	30.6.2021	31.12.2020
	RMB'000	*RMB'000*
	(unaudited)	(audited)
For bank borrowings:		
— property, plant and equipment	**259,106**	201,316
— right-of-use assets	**324,736**	274,249
— bills receivables	**54,744**	72,648
For bank borrowings and bills payables:		
— pledged bank deposits	**1,916,746**	2,093,794
	2,555,332	2,642,007

15. 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 2020, 31 December 2020 (audited) and 30 June 2021 (unaudited)	10,000,000,000	100,000,000	
Issued and fully paid:			
At 1 January 2020, 31 December 2020 (audited) and 30 June 2021 (unaudited)	6,118,299,000	61,182,990	51,350

16. CAPITAL COMMITMENTS

	30.6.2021	31.12.2020
	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	**45,095**	57,769

17. CONTINGENT LIABILITIES

As at 30 June 2021, neither the Group nor the Company had any significant contingent liabilities.

18. 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 of the Company 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 becomes entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

On 28 January 2016, the Directors resolved to grant an aggregate of 35,300,000 shares in the capital of the Company (the "Awarded Shares") to certain employees and members of the management of the Group who shall remain employment within the Group (the "Qualified Employees") during the vesting periods pursuant to the share award scheme. Subject to the fulfilment of certain performance conditions set by the Board to each Qualified Employee, 25% of the Awarded Shares shall vest on each of 1 April 2016, 1 April 2017, 1 April 2018 and 1 April 2019 respectively. As at 30 June 2021, all such 35,300,000 Awarded Shares granted to the Qualified Employees had been either vested with the Qualified Employees or forfeited due to the failure to fulfil particular performance conditions by the Qualified Employees.

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

	Number of shares purchased	**Cost of purchase**	**Cost of purchase**
	'000	*HK$'000*	*RMB'000*
At 1 January 2020, 31 December 2020 (audited) and 30 June 2021 (unaudited)	48,135	47,655	40,190

19. RELATED PARTIES TRANSACTIONS

Other than the transactions and balances with related parties disclosed in the unaudited 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 months ended	
	30.6.2021	30.6.2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Basic salaries and allowances	**862**	857
Retirement benefits scheme contributions	**21**	18
	883	875

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 period under review, the Group recorded a turnover of approximately RMB8,805.2 million, representing an increase of approximately 76.2% as compared with that in the corresponding period in 2020, and a profit for the period under review of approximately RMB146.2 million, representing an increase of approximately 607.5% as compared with that in the corresponding period in 2020. The significant increase in the profit for the period under review was mainly due to (i) the significant increase in gross profit to approximately RMB935.5 million (six months ended 30 June 2020: RMB534.6 million), representing an increase of approximately 75.0% as compared with that in the corresponding period in 2020, which was attributable to the significant increase in the turnover of the Group for the period under review due to the increase in the selling prices of and the demand for the Group's products for the period under review, as a result of the economic recovery from the Coronavirus Disease 2019 (the "COVID-19") pandemic and the increase in average copper price during the period under review; and (ii) the increase in other income by approximately 71.2% to approximately RMB55.3 million for the period under review (six months ended 30 June 2020: RMB32.3 million), mainly due to the increase in the investment income from the structured deposits of the Group, partially offset by (1) the increase in the selling and distribution costs by approximately 38.0% to approximately RMB305.6 million (six months ended 30 June 2020: RMB221.5 million), mainly due to the increase in the tender and inspection fee and transportation costs as a result of the increase in the Group's turnover for the period under review; (2) the increase in the administrative expenses by approximately 25.2% to approximately RMB168.7 million (six months ended 30 June 2020: RMB134.8 million), mainly due to the continuous increase in the staff costs and general expenses incurred by the Group for the enhancement of its business and employee health management; (3) the substantial increase in the impairment losses under the ECL model, net of reversal, by approximately 4,141.4% to approximately RMB142.9 million (six months ended 30 June 2020: RMB3.4 million), mainly due to (a) the increase in the amount of trade and other receivables as at 30 June 2021 as a result of the significant increase in the Group's turnover for the period under review; and (b) the increase in default risk due to the uncertainty in the economy arising from the COVID-19 pandemic and the heat up of the Sino-U.S. disputes during the period under review; (4) the increase in finance costs by approximately 7.6% to approximately RMB145.8 million (six months ended 30 June 2020: RMB135.5 million), mainly due to the increase in the Group's bank borrowings for the period under review to finance the Group's working capital needs for purchasing copper at a significantly higher average copper price; and (5) the increase in taxation by approximately 263.2% to approximately RMB30.9 million (six months ended 30 June 2020: RMB8.5 million), as a result of the substantial increase in the Group's taxable profit for the period under review. Basic earnings per share for the period under review was RMB2.41 cents while that for the six months ended 30 June 2020 was RMB0.34 cents, representing an increase of approximately 608.8%.

Market And Business Review

According to the statistical data published by the National Bureau of Statistics of the PRC, the gross domestic product of the PRC increased by 12.7% in the first half of 2021 due to the economic recovery from the COVID-19 pandemic in the PRC, as a result of the effective control measures adopted by the Chinese government for the period under review. However, COVID-19 continued to spread across the world and the epidemic remained severe in major economies, such as the US, India and South Africa, in spite of the attempts taken to control and prevent its further spread, which has caused increasing downward pressure and recession risks to the global economy. On the other hand, the confrontation between China and the US continued to escalate. The US government issued several policies against the PRC, such as financial sanctions on government officers in Hong Kong and the PRC, as an attempt to hinder the development of the PRC. The continuous deterioration of relations between China and the US has affected the confidence in global economic development, which has caused certain impacts on the overseas export business of the Group. For the period under reivew, the average price of copper on the London Metal Exchange reached USD9,095 per tonne, which was 65.7% higher than that in the corresponding period in 2020, and the average price of aluminium reached USD2,066 per tonne, which was 63.1% higher than that in the corresponding period in 2020. As the Group prices its products on a cost-plus basis, the increase in raw material prices has driven up the Group's average product prices during the period under review, hence the turnover of the Group has increased significantly during the period under review.

Turnover

For the six months ended 30 June	**Turnover**			**Gross Profit Margin**		
	2021	2020	Percentage Change	**2021**	2020	Change
	RMB million	*RMB million*				
Power cables	**6,034.0**	3,289.3	83.4%	**10.5%**	11.0%	–0.5%
Wires and cables for electrical equipment	**1,890.6**	1,042.2	81.4%	**7.1%**	5.1%	2.0%
Bare wires	**188.8**	185.5	1.8%	**6.8%**	11.8%	–5.0%
Special cables	**691.8**	479.7	44.2%	**22.8%**	20.2%	2.6%
Total	**8,805.2**	4,996.7	76.2%	**10.6%**	10.7%	–0.1%

Power Cable Products — 68.5% of Total Turnover

For the period under review, turnover from power cable products amounted to approximately RMB6,034.0 million, representing an increase of approximately 83.4% over that for the corresponding period in 2020 (six months ended 30 June 2020: RMB3,289.3 million), and turnover of power cables accounted for approximately 68.5% of the total turnover of the Group. Sales volume of the Group's power cable products increased by approximately 27.6% to approximately 105,781 km (six months ended 30 June 2020: 82,896 km), mainly attributable to the strong surge in customer demand in tandem arising from the economic recovery from the COVID-19 pandemic in the PRC, as a result of the effective control measures adopted by the Chinese government for the period under review. Due to the increase in the average copper price, the average price of the power cable products for the period under review increased by approximately 43.8% to approximately RMB57,043 per km (six months ended 30 June 2020: RMB39,680 per km). The gross profit of power cable products for the period under review increased to approximately RMB631.3 million (six months ended 30 June 2020: RMB363.2 million), which was in line with the increase in turnover during the period under review, while the gross profit margin decreased to approximately 10.5% (six months ended 30 June 2020: 11.0%), which was at a level close to that of 10.7% for the full year of 2020.

Wires and Cables for Electrical Equipment Products — 21.5% of Total Turnover

For the period under review, turnover from wires and cables for electrical equipment increased by approximately 81.4% to approximately RMB1,890.6 million (six months ended 30 June 2020: RMB1,042.2 million). Sales volume of wires and cables for electrical equipment increased by approximately 35.0% from approximately 601,445 km for the six months ended 30 June 2020 to approximately 812,092 km for the period under review due to the strong surge in customer demand in tandem arising from the economic recovery from the COVID-19 pandemic in the PRC, as a result of the effective control measures adopted by the Chinese government for the period under review. The average price of wires and cables for electrical equipment increased by approximately 34.3% from approximately RMB1,733 per km for the six months ended 30 June 2020 to approximately RMB2,328 per km for the period under review, mainly due to the increase in the average copper price during the period under review. The gross profit of wires and cables for electrical equipment products for the period under review increased to approximately RMB133.7 million (six months ended 30 June 2020: RMB52.8 million) and the gross profit margin for the period under review increased to approximately 7.1% (six months ended 30 June 2020: 5.1%), mainly due to the change of product mix during the period under review.

Bare Wire Products — 2.1% of Total Turnover

Turnover from bare wires increased by approximately 1.8% to approximately RMB188.8 million (six months ended 30 June 2020: RMB185.5 million) for the period under review, while the sales volume of bare wires decreased by approximately 1.4% from approximately 13,287 tonnes for the six months ended 30 June 2020 to approximately 13,102 tonnes for the period under review. The average price of bare wire products increased by approximately 3.2% to approximately RMB14,410 per tonne (six months ended 30 June 2020: RMB13,962 per tonne) due to the increase in average aluminum price during the period under review. The gross profit margin of bare wire products decreased to 6.8% for the period under review (six months ended 30 June 2020: 11.8%) due to the increase in the Group's sales in steel core aluminum standard wires with lower gross profit margin during the period under review.

Special Cable Products — 7.9% of Total Turnover

During the period under review, the sales volume of special cables increased to approximately 28,605 km (six months ended 30 June 2020: 25,439 km) due to the increase in infrastructure investments in the railway transportation industry in China, which has provided support to the stable growth of the demand for the special power cables of the Group. The average selling price of special cables increased by approximately 28.2% from approximately RMB18,857 per km for the six months ended 30 June 2020 to approximately RMB24,183 per km for the period under review. This increase in the average selling price was mainly due to the increase in the average price of copper during the period under review. The gross profit margin of special cables increased to approximately 22.8% (six months ended 30 June 2020: 20.2%) due to the change of product mix during the period under review.

Turnover by Geographical Markets

The PRC remains the Group's key market. Sales in the PRC market for the period under review increased by approximately 76.4% to approximately RMB8,708.2 million (six months ended 30 June 2020: RMB4,936.0 million), which accounted for approximately 98.9% of the Group's total turnover, and such increase was primarily due to the strong surge in customer demand in tandem arising from the economic recovery from the COVID-19 pandemic in the PRC, as a result of the effective control measures adopted by the Chinese government and the substantial increase in average copper price during the period under review as compared with that in the corresponding period in 2020.

Revenue contributed by the overseas markets for the period under review increased by approximately RMB36.3 million or approximately 59.8% as compared with that for the corresponding period in 2020. This increase was mainly attributable to the increase in sales in Singapore during the period 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, increased by approximately 76.4% to approximately RMB7,869.7 million during the period under review (six months ended 30 June 2020: RMB4,462.1 million). Costs of raw materials accounted for approximately 96.4% of the cost of goods sold for the period under review, and the costs of copper and aluminium (being the Group's major raw materials) accounted for approximately 82.6% of the cost of goods sold for the period under review on an aggregate basis. Direct labour costs increased and accounted for approximately 1.2% of the total cost of goods sold for the period under review. The remaining balance of approximately 2.4% 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 increased by approximately RMB400.9 million, or approximately 75.0%, from approximately RMB534.6 million for the six months ended 30 June 2020 to approximately RMB935.5 million for the period under review. Gross profit margin decreased slightly to approximately 10.6% for the period under review from approximately 10.7% for the six months ended 30 June 2020. The increase in gross profit for the period under review was in line with the increase in turnover during the period under review.

Profit for the Period

Profit for the period under review increased significantly by approximately 607.5% from approximately RMB20.7 million for the six months ended 30 June 2020 to approximately RMB146.2 million for the period under review. The significant increase in the profit for the period under review was mainly due to (i) the significant increase in gross profit to approximately RMB935.5 million (six months ended 30 June 2020: RMB534.6 million), representing an increase of approximately 75.0% as compared with that in the corresponding period in 2020, which was attributable to the significant increase in the turnover of the Group for the period under review due to the increase in the selling prices of and the demand for the Group's products for the period under review, as a result of the economic recovery from the COVID-19 pandemic and the increase in average copper price during the period under review; and (ii) the increase in other income by approximately 71.2% to approximately RMB55.3 million for the period under review (six months ended 30 June 2020: RMB32.3 million), mainly due to the increase in the investment income from the structured deposits of the Group, partially offset by (1) the increase in the selling and distribution costs by approximately 38.0% to approximately RMB305.6 million (six months ended 30 June 2020: RMB221.5 million), mainly due to the increase in the tender and inspection fee and transportation costs as a result of the increase in the Group's turnover for the period under review; (2) the increase in the administrative expenses by approximately 25.2% to approximately RMB168.7 million (six months ended 30 June 2020: RMB134.8 million), mainly due to the continuous increase in the staff costs and general expenses incurred by the Group for the enhancement of its business and employee health management; (3) the substantial increase in the impairment losses under the ECL model, net of reversal, by approximately 4,141.4% to approximately RMB142.9 million (six months ended 30 June 2020: RMB3.4 million), mainly due to (a) the increase in the amount of trade and other receivables as at 30 June 2021 as a result of the significant increase in the Group's turnover for the period under review; and (b) the increase in default risk due to the uncertainty in the economy arising from the COVID-19 pandemic and the heat up of the Sino-U.S. disputes during the period under review; (4) the increase in finance costs by approximately 7.6% to approximately RMB145.8 million (six months ended 30 June 2020: RMB135.5 million), mainly due to the increase in the Group's bank borrowings for the period under review to finance the Group's working capital needs for purchasing copper at a significantly higher average copper price; and (5) the increase in taxation by approximately 263.2% to approximately RMB30.9 million (six months ended 30 June 2020: RMB8.5 million), as a result of the substantial increase in the Group's taxable profit for the period under review.

Selling and Distribution Costs

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 RMB84.1 million, or approximately 38.0%, from approximately RMB221.5 million for the six months ended 30 June 2020 to approximately RMB305.6 million for the period under review. The increase in the selling and distribution costs was mainly due to the increase in the tender and inspection fee and transportation costs as a result of the increase in the Group's turnover during the period under review. With the significant increase in turnover partially due to the increase in copper prices for the period under reivew, the selling and distribution costs as a percentage of turnover decreased from approximately 4.4% for the six months ended 30 June 2020 to approximately 3.5% for the period under review.

Administrative Expenses

Administrative expenses increased by approximately RMB33.9 million, or approximately 25.2%, from approximately RMB134.8 million for the six months ended 30 June 2020 to approximately RMB168.7 million for the period under review, mainly due to the continuous increase in the staff costs and general expenses incurred by the Group for enhancement of its business and employee health management during the period under review. With the significant increase in turnover, the administrative expenses as a percentage of turnover decreased from approximately 2.7% for the six months ended 30 June 2020 to approximately 1.9% for the period under review.

Research and Development Costs

Research and development costs increased by approximately 10.1% from approximately RMB30.8 million for the six months ended 30 June 2020 to approximately RMB34.0 million for the period under review. This increase was mainly resulted from the continuous increase in the Group's expenditures on research and development of new products and technology (higher gross margin products in particular) during the period under review, as compared with those in the corresponding period in 2020.

Other Losses, Net

Other losses, net were mainly composed of exchange loss and gain on disposal of property, plant and equipment. The increase in other losses, net by approximately by 6.8% from approximately RMB13.9 million for the six months ended 30 June 2020 to approximately RMB14.8 million for the period under review, was mainly caused by the fair value gain on financial assets at FVTPL of approximately RMB1.3 million recognised in the six months ended 30 June 2020, which was absent during the period under review.

Impairment Losses under ECL Model, Net of Reversal

Impairment losses under ECL model, net of reversal which mainly represented the net impairment losses on trade and other receivables and a loan to an associate, increased by approximately RMB139.5 million, or approximately 4,141.4%, from approximately RMB3.4 million for the six months ended 30 June 2020 to approximately RMB142.9 million for the period under review. The increase was mainly due to (i) the increase in the amount of trade and other receivables as at 30 June 2021 as a result of the significant increase in the Group's turnover for the period under review; and (ii) the increase in default risk due to the uncertainty in the economy arising from the COVID-19 pandemic and the heat up of the Sino-U.S. disputes during the period under review.

Finance Costs

Finance costs increased by approximately 7.6% from approximately RMB135.5 million for the six months ended 30 June 2020 to approximately RMB145.8 million for the period under review, which was mainly attributable to the increase in the bank borrowings for the period under review to finance the Group's working capital needs for purchasing copper at a significantly higher average copper price. Finance costs as a percentage of turnover decreased from approximately 2.7% for the six months ended 30 June 2020 to approximately 1.7% for the period under review.

Taxation

The Group's taxation increased by approximately RMB22.4 million, or approximately 263.2%, from approximately RMB8.5 million for the six months ended 30 June 2020 to approximately RMB30.9 million for the period under review. The increase in taxation was due to the substantial increase in the taxable profits of the Group for the period under review. The effective tax rate for the period under review was approximately 17.4% (six months ended 30 June 2020: 29.2%). The decrease in the effective tax rate was mainly due to the increase in the proportion of the profits generated from the subsidiaries of the Company which are endorsed as a High and New Technology Enterprise in China, that are entitled to a reduced income tax rate of 15% in the PRC.

Financial Position and Liquidity

As at 30 June 2021, total assets of the Group amounted to approximately RMB16,522.5 million (31 December 2020: RMB15,771.8 million).

Non-current assets increased by approximately 5.5% from approximately RMB1,324.3 million as at 31 December 2020 to approximately RMB1,397.2 million as at 30 June 2021. The increase was mainly due to the acquisition of leasehold lands for the expansion of the manufacturing operation of the Group and the increase in the deferred tax assets in respect of the impairment losses under ECL model, net of reversal on trade and other receivables for the period under review.

Current assets increased by approximately 4.7% from approximately RMB14,447.6 million as at 31 December 2020 to approximately RMB15,125.3 million as at 30 June 2021, which was mainly due to the increase in inventories and trade and other receivables as at 30 June 2021, partially offset by the decrease in structured deposits, bank deposits with original maturity over three months and bank balances and cash as at 30 June 2021.

Total bank borrowings increased by approximately 15.6% from approximately RMB3,492.2 million as at 31 December 2020 to approximately RMB4,037.4 million as at 30 June 2021. As at 30 June 2021, approximately RMB3,843.4 million (31 December 2020: RMB3,296.2 million) of the Group's bank borrowings were repayable within one year and approximately RMB194.0 million (31 December 2020: RMB196.0 million) were repayable within a period of more than one year but not exceeding two years. Of the Group's total bank borrowings as at 30 June 2021, approximately 99.3% of the bank borrowings were made by the Group's subsidiaries in the PRC. These loans were not guaranteed by the Company.

Total equity was approximately RMB6,596.3 million as at 30 June 2021, which was approximately 2.4% higher than that of approximately RMB6,439.2 million as at 31 December 2020. The increase was mainly attributable to the profits generated by the Group during the period 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 RMB730.8 million over total equity of approximately RMB6,596.3 million as at 30 June 2021, increased from approximately -17.0% as at 31 December 2020 to approximately 11.1%. As compared with the net-debt-to-equity ratio of -10.1% as at 30 June 2020, the net-debt-to-equity ratio of the Group as at 30 June 2021 also increased. The deterioration in the net-debt-to-equity ratio as at 30 June 2021 was mainly due to the increase in the bank borrowings and the decrease in the bank balances held by the Group as at 30 June 2021 caused by the financing of the Group's working capital needs for purchasing copper at a significant higher average copper price during the period under review.

During the period under review, the Group's borrowings were mainly denominated in RMB and carried interest at a premium over the RMB benchmark loan interest rates for financial institutions set by the People's Bank of China. As at 30 June 2021, 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 major expenses were denominated either in RMB or Hong Kong Dollars, the Group faced relatively low currency risk during the period under review.

During the period under review, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB65,000 (six months ended 30 June 2020: RMB107,000) for cash proceeds of approximately RMB193,000 (six months ended 30 June 2020: RMB195,000), resulting in a gain on disposal of approximately RMB128,000 (six months ended 30 June 2020: RMB88,000).

As at 30 June 2021, the Group has pledged certain of its leasehold lands, buildings and machineries with carrying value of approximately RMB324.7 million, RMB150.7 million and RMB108.4 million respectively (31 December 2020: RMB274.2 million, RMB146.2 million and RMB55.1 million respectively) to certain banks to secure credit facilities granted to the Group.

During the six months ended 30 June 2021 and 2020, no interest expense was capitalised.

During the six months ended 30 June 2021 and 2020, the Group did not employ any financial instruments for hedging purposes.

Contingent Liabilities

As at 30 June 2021, neither the Group nor the Company had any significant contingent liabilities.

Use of Net Proceeds

Net proceeds 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. The amount of unutilised net proceeds from the Listing of approximately HK$39.4 million was brought forward from the year of 2020. The intended use and the actual use of the net proceeds from the Listing as at 30 June 2021 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 30 June 2021**
	HK$'million	*HK$'million*
Setting up of production facilities for aluminium alloy and double capacity conductors	115.0	115.0
Setting up of 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	125.5
Total	448.1	425.6

During the period under review, net proceeds from the Listing of approximately HK$16.9 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$22.5 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 second half of the year.

Net proceeds from the Rights Issue

The net proceeds from the rights issue (the "Rights Issue") under which the Company issued 2,039,433,000 of its ordinary shares on the basis of one share (the "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, the completion of which took place on 22 October 2019, amounted to approximately HK$555.5 million (after deducting related expenses). The amount of unutilised net proceeds from the Rights Issue of approximately HK$242.1 million was brought forward from the year of 2020. The intended use and the actual use of the net proceeds from the Rights Issue, as well as the unutilised net proceeds therefrom as at 30 June 2021 are as follows:

	Intended use of net proceeds as stated in the prospectus of the Company dated 27 September 2019 *HK$'million*	Actual use of net proceeds as at 30 June 2021 *HK$'million*	Unutilised net proceeds as at 30 June 2021 *HK$'million*
Expansion of the Group's production facilities for mid-rated voltage power cables	218.2	103.6	114.6
Upgrade and development of the Group's production facilities for flexible fire-proof cables	37.9	37.9	–
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	330.9	224.6

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

Employees and Remuneration

As at 30 June 2021, the Group had a total of 3,616 employees. The total staff costs, net of the remuneration of the Directors, amounted to approximately RMB178.7 million (six months ended 30 June 2020: RMB130.9 million) for the period under review. The Group's remuneration policy is based on the position, duties and performance of individual employees. The remuneration of the Group's employees, including their salaries, overtime allowance, bonus and various subsidies, varies according to their positions. The performance appraisal cycle varies according to the positions of the Group's employees. The performance appraisal of the Group's senior management is conducted annually, and that of the department heads is conducted quarterly while that of the Group's remaining staff is conducted monthly. The performance appraisal is supervised by the Group's performance management committee.

The Board adopted a share award scheme on 9 September 2015 as an incentive to recognise the contributions made by the employees, executives, officers and directors of the Group, to retain them for the continuing operation and development of the Group and to attract suitable personnel for further development of the Group. No share of the Company was granted under the share award scheme during the period under review.

Property, Plant and Equipment

The Group's property, plant and equipment increased from approximately RMB910.5 million as at 31 December 2020 to approximately RMB915.9 million as at 30 June 2021, representing an increase of approximately 0.6%. This increase represented the net effect of the addition of machineries for the power cable production lines and the depreciation charged on property, plant and equipment during the period under review.

Outlook and Prospects

In the second half of 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 arising from the development of the COVID-19 epidemic and the internal and external environments. 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 relationships with the United States and some other countries have 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 certain impacts on the Group's business in the domestic market. As at the date of this announcement, the epidemic remains severe overseas and the cumulative number of confirmed cases of COVID-19 worldwide has exceeded 200 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 the 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:

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, the ex-Chairman and the ex-Party Secretary of State Grid Corporation of China ("SGCC"), said in an interview with Xinwen Lianbo, a daily news programme produced by China Central Television (CCTV), that SGCC 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 to 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.

* *For identification purpose only*

As the market is full of opportunities, the Group will grasp these 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 its marketing strategy and concepts, and proactively integrate them into the dual-cycle development strategy of marketing. The Group will explore deeper into existing mature markets with an emphasis on key areas and core customer markets in order to drive high-quality sales development by way of targeting the high-end markets;

2. the Group will further intensify its efforts to tap into new markets. The Group will expand its customer 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 its projects, fight against counterfeit of its products, strengthen its efforts to collect loans overdue in a faster way, do its best to avoid operating risks, and improve its efficiency and quality;

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

5. the Group will computerise the operations and knowledge management of the Group holistically and promote safe production and green manufacturing to a higher level. From the second half of 2021 to early 2022, the Group will 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 one German copper core stranding machine.

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

For the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

* *For identification purpose only*

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 period under review.

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 period under review.

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 period under review was noted by the Company.

NON-COMPLIANCE WITH RULES 3.10(1), 3.10(2) AND 3.21 OF THE LISTING RULES

Following the resignation of Mr. Kan Man Yui Kenneth as an independent non-executive Director and his cessation to act as the chairman of the audit committee (the "Audit Committee") of the Board and a member of each of the remuneration committee (the "Remuneration Committee") of the Board and the nomination committee (the "Nomination Committee") of the Board with effect from 10 June 2021 and until the appointment (the "Fok Appointment") of Mr. Fok Ming Fuk as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee with effect from 24 June 2021, the Company had only two independent non-executive Directors and two members of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. This fell below the minimum number of independent non-executive directors and members of audit committee requirement under Rules 3.10(1) and 3.21 of the Listing Rules, and the Board no longer had (i) an independent non-executive Director with the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; (ii) an Audit Committee member as required under Rule 3.21 of the Listing Rules who met the same requirements under Rule 3.10(2) of the Listing Rules; and (iii) an Audit Committee being chaired by an independent non-executive Director. The Company complied with Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules following the Fok Appointment.

AUDIT COMMITTEE

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 period under review and this announcement.

During the period from 1 January 2021 to 9 June 2021, 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. During the period from 10 June 2021 to 23 June 2021, the members of the Audit Committee were Mr. He Zhisong and Mr. Yang Rongkai, both being independent non-executive Directors. During the period from 24 June 2021 to the date of this announcement, the members of the Audit Committee were Mr. Fok Ming Fuk (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 period under review 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.

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

Hong Kong, 23 August 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. Fok Ming Fuk.