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 2021

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 43.8% to approximately RMB19,173.6 million (2020: RMB13,335.2 million)
- Gross profit increased by approximately 34.3% to approximately RMB1,913.4 million (2020: RMB1,424.7 million)
- Loss for the year amounted to approximately RMB540.5 million (2020: profit for the year of RMB169.5 million)
- Basic loss per share amounted to approximately RMB8.90 cents (2020: basic earnings per share of RMB2.79 cents)
- The Board does not recommend the declaration and payment of any final dividend (2020: nil)

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 2021 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 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Turnover	*3*	**19,173,552**	13,335,190
Cost of goods sold		**(17,260,114)**	(11,910,484)
Gross profit		**1,913,438**	1,424,706
Other income	*4*	**106,673**	103,469
Selling and distribution costs		**(711,314)**	(560,134)
Administrative expenses		**(365,606)**	(283,047)
Research and development costs		**(75,027)**	(62,570)
Other losses, net	*5*	**(18,841)**	(38,331)
Impairment losses under expected credit loss ("ECL") model, net of reversal	*6*	**(1,185,690)**	(92,979)
Share of results of associates		**(3,989)**	(273)
Finance costs	*7*	**(292,387)**	(271,922)
(Loss) profit before taxation	*8*	**(632,743)**	218,919
Taxation	*9*	**92,287**	(49,424)
(Loss) profit for the year		**(540,456)**	169,495
Other comprehensive income (expense) for the year			
Item that will not be reclassified to profit or loss:			
Fair value (loss) gain on equity instrument at fair value through other comprehensive income ("FVTOCI")		**(887)**	5,120
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of a foreign operation		**9,152**	(15,893)
		8,265	(10,773)
Total comprehensive (expense) income for the year		**(532,191)**	158,722
Basic (loss) earnings per share	*11*	**RMB(8.90) cents**	RMB2.79 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	12	**886,770**	910,493
Right-of-use assets		**339,317**	294,052
Deposits paid for acquisition of property, plant and equipment		**108,156**	7,301
Goodwill		**54,775**	54,775
Interests in associates		**–**	–
Loan to an associate		**20,390**	27,102
Equity instrument at FVTOCI		**22,797**	6,084
Pledged bank deposits		**281,425**	–
Time deposits		**161,500**	–
Deferred tax assets		**198,983**	24,447
		2,074,113	1,324,254
Current assets			
Inventories	13	**4,174,207**	3,632,728
Trade and other receivables	14	**6,071,180**	5,647,058
Financial asset at fair value through profit or loss ("FVTPL")		**–**	43,156
Structured deposits		**34,600**	539,769
Pledged bank deposits		**1,685,824**	2,093,794
Time deposits		**20,050**	743,000
Bank balances and cash		**1,630,746**	1,748,085
		13,616,607	14,447,590

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Current liabilities			
Trade and other payables	*15*	**4,667,477**	4,894,338
Contract liabilities		**1,035,923**	783,753
Amounts due to directors		**4,232**	4,178
Bank borrowings	*16*	**3,923,664**	3,296,233
Lease liabilities		**156**	339
Taxation payable		**87,581**	94,087
		9,719,033	9,072,928
Net current assets		**3,897,574**	5,374,662
Total assets less current liabilities		**5,971,687**	6,698,916
Non-current liabilities			
Deferred tax liabilities		**64,645**	63,526
Bank borrowings	*16*	**–**	196,000
Lease liabilities		**–**	157
		64,645	259,683
Net assets		**5,907,042**	6,439,233
Capital and reserves			
Share capital		**51,350**	51,350
Reserves		**5,855,692**	6,387,883
Total equity		**5,907,042**	6,439,233

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 Company and its subsidiaries (the "Group") has applied 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 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform — Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures".

As at 1 January 2021, the Group has a bank borrowing of RMB27,683,000 with interest indexed to Euro Interbank Offered Rate that will or may be subject to interest rate benchmark reform. The amendments have had no impact on the consolidated financial statements as the relevant contract has not been transitioned to the relevant replacement rate during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost, accordingly it is expected that there will be no significant effect on the carrying amounts.

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, 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 is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Revenue		
— power cables	**12,831,473**	8,764,274
— wires and cables for electrical equipment	**4,183,577**	2,944,958
— bare wires	**526,037**	395,422
— special cables	**1,632,465**	1,230,536
	19,173,552	13,335,190
Cost of goods sold		
— power cables	**11,555,823**	7,823,744
— wires and cables for electrical equipment	**3,937,465**	2,765,370
— bare wires	**506,929**	351,126
— special cables	**1,259,897**	970,244
	17,260,114	11,910,484
Segment results		
— power cables	**1,275,650**	940,530
— wires and cables for electrical equipment	**246,112**	179,588
— bare wires	**19,108**	44,296
— special cables	**372,568**	260,292
	1,913,438	1,424,706

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

	2021 *RMB'000*	2020 *RMB'000*
Reportable segment results	**1,913,438**	1,424,706
Unallocated income and expenses		
— Other income	**106,673**	103,469
— Selling and distribution costs	**(711,314)**	(560,134)
— Administrative expenses	**(365,606)**	(283,047)
— Research and development costs	**(75,027)**	(62,570)
— Other losses, net	**(18,841)**	(38,331)
— Impairment losses under ECL model, net of reversal	**(1,185,690)**	(92,979)
— Share of results of associates	**(3,989)**	(273)
— Finance costs	**(292,387)**	(271,922)
(Loss) profit before taxation	**(632,743)**	218,919

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 2021 and 2020.

4. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**32,960**	39,818
Interest income from an associate	**4,481**	4,926
Other interest income	**–**	1,000
Investment income from structured deposits	**32,538**	16,766
Government subsidies	**29,700**	12,552
Recovery of other receivables written off in prior year	**–**	25,000
Others	**6,994**	3,407
	106,673	103,469

5. OTHER LOSSES, NET

	2021	2020
	RMB'000	*RMB'000*
Write-down of inventories	**–**	(20,249)
Exchange loss	**(18,330)**	(16,565)
Impairment loss on interest in an associate	**–**	(2,840)
Fair value (loss) gain on financial asset at FVTPL	**(134)**	1,074
(Loss) gain on disposal of property, plant and equipment	**(377)**	249
	(18,841)	(38,331)

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2021	2020
	RMB'000	*RMB'000*
Impairment losses under ECL model, net of reversal on:		
Trade receivables	**1,175,765**	90,336
Other receivables	**5,537**	2,643
Loan to an associate	**4,388**	–
	1,185,690	92,979

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interests on bank borrowings	**292,380**	271,914
Interests on lease liabilities	**7**	8
	292,387	271,922

8. (LOSS) PROFIT BEFORE TAXATION

	2021	2020
	RMB'000	*RMB'000*
(Loss) profit before taxation has been arrived at after charging:		
Directors' remuneration	**1,937**	1,786
Other staff costs:		
Salaries and other benefits	**299,238**	254,677
Retirement benefit schemes contribution	**42,944**	41,485
Total staff costs *(Note)*	**344,119**	297,948
Less: Staff costs included in research and development costs	**(35,465)**	(24,514)
	308,654	273,434
Depreciation of property, plant and equipment	**121,196**	116,395
Less: Depreciation included in research and development costs	**(5,376)**	(3,571)
	115,820	112,824
Depreciation of right-of-use assets	**9,299**	8,503
Auditor's remuneration	**2,968**	2,989
Cost of inventories recognise as expenses	**17,233,590**	11,884,999
Write down of inventories	**29,473**	20,249

Note: During the year ended 31 December 2021, the government subsidies of RMB29,000 (2020: RMB7,764,000) to the Group in respect of Covid-19 were recognised as a deduction of the total staff costs.

9. TAXATION

	2021	2020
	RMB'000	*RMB'000*
The (credit) charge comprises:		
Current tax		
PRC income tax	**81,130**	56,046
Deferred taxation	**(173,417)**	(6,622)
Taxation (credit) charge for the year	**(92,287)**	49,424

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. and Jiangsu Zhongmei Cable Group Co., Ltd. (江蘇中煤電纜有限公司) were endorsed as High and New Technology Enterprises on 4 March 2009 (renewed on 15 December 2021) 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 2024 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

	2021	2020
	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 — No dividend (2020: 2019 dividend of HK0.5 cent per share)	**–**	27,689

The Board does not recommend any final dividend for the year ended 31 December 2021 (2020: nil).

11. (LOSS) EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company	**(540,456)**	169,495

	2021	2020
	'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 (loss) earnings per share	**6,070,164**	6,070,164

No diluted (loss) earnings per share is presented as there were no potential dilutive shares in both years.

12. PROPERTY, PLANT AND EQUIPMENT

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

	2021	2020
	RMB'000	*RMB'000*
Buildings	**–**	3,485
Plant and machinery	**47,811**	48,015
Motor vehicles	**4,257**	6,336
Furniture, fixtures and equipment	**17,267**	17,024
Construction in progress	**28,715**	71,840
	98,050	146,700

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

At 31 December 2021, the Group has pledged certain of its buildings and machinery with carrying values of RMB139,337,000 and RMB100,307,000 respectively (2020: buildings and machinery with carrying values of RMB146,198,000 and RMB55,118,000) to certain banks to secure credit facilities granted to the Group.

13. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**112,444**	69,809
Work in progress	**1,848,910**	1,365,380
Finished goods	**2,212,853**	2,197,539
	4,174,207	3,632,728

14. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables, net	**5,769,731**	5,280,056

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:

	2021	2020
	RMB'000	*RMB'000*
0 to 90 days	**2,941,663**	2,450,994
91 to 180 days	**1,204,640**	1,116,675
181 to 365 days	**872,437**	618,313
Over 365 days	**750,991**	1,094,074
	5,769,731	5,280,056

15. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**4,201,105**	4,526,922

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:

	2021	2020
	RMB'000	*RMB'000*
0 to 90 days	**1,638,453**	1,981,484
91 to 180 days	**1,092,459**	1,032,639
181 to 365 days	**1,411,838**	1,409,906
Over 365 days	**58,355**	102,893
	4,201,105	4,526,922

16. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Bank borrowings comprise the following:		
— Within one year	**3,923,664**	3,296,233
— Within a period of more than one year but not exceeding two years	**–**	196,000
	3,923,664	3,492,233
Less: Amount due within one year shown under current liabilities	**(3,923,664)**	(3,296,233)
Amount due after one year shown under non-current liabilities	**–**	196,000
Secured	**481,954**	514,383
Secured and guaranteed by independent third parties	**416,200**	393,000
Unsecured	**1,558,310**	1,609,850
Unsecured and guaranteed by independent third parties	**1,467,200**	975,000
	3,923,664	3,492,233

17. CAPITAL COMMITMENT

	2021	2020
	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	**36,837**	57,769

18. GUARANTEES

As at 31 December 2021, performance and quality guarantees of an aggregate amount of RMB387,228,000 were given by banks in favour of the Group's customers as security for the performance and quality of the Group's obligations under the sales contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to the customers to whom the guarantees have been given, such customers may demand the bank for indemnity. The Group will become liable to compensate such bank accordingly. The guarantees will be released upon completion and acceptance of the works of the Group under the sales contracts. The guarantees were granted by the banks under the letters of guarantees executed by the subsidiaries of the Company, which were secured by the pledged bank deposits of the Group of an aggregate amount of RMB1,635,218,000.

19. EVENT AFTER THE REPORTING PERIOD

On 7 January 2022, an indirect wholly-owned subsidiary of the Group entered into transfer and leaseback agreements with an independent third party in which certain machineries and equipment of the Group shall be transferred from the Group at a total consideration of RMB200,000,000 and leased back to the Group for a term of 30 months at total lease payments of approximately RMB217,357,000. Details of such agreements are set out in the announcement of the Company dated 7 January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the year ended 31 December 2021, the Group recorded revenue of approximately RMB19,173.6 million, representing an increase of approximately 43.8% as compared with that for the year ended 31 December 2020 of approximately RMB13,335.2 million, and loss for the year under review of approximately RMB540.5 million, while it recorded net profit of approximately RMB169.5 million for the year ended 31 December 2020. The turning of profit to loss for the year under review was mainly due to (i) the substantial increase in the impairment losses under the expected credit loss ("ECL") model, net of reversal, by approximately 1,175.2% to approximately RMB1,185.7 million (year ended 31 December 2020: RMB93.0 million), mainly due to (a) the significant one-off specific provision made for certain receivables due from customers in the property sector, including the provision made for the receivables due from the subsidiaries of the Evergrande Group ("Evergrande") amounting to approximately RMB878.4 million; and (b) the increase in the amount of trade and other receivables as at 31 December 2021 as a result of the significant increase in the Group's turnover for the year under review; (ii) the increase in selling and distribution costs by approximately 27.0% to approximately RMB711.3 million for the year under review as compared with those for the year ended 31 December 2020 of approximately RMB560.1 million, which is mainly due to the increase in the tender and inspection fees and transportation costs as a result of the increase in the Group's turnover for the year under review; and (iii) the increase in administrative expenses by approximately 29.2% to approximately RMB365.6 million for the year under review as compared with those for the year ended 31 December 2020 of approximately RMB283.0 million, which is mainly due to the increase in the entertainment and travelling expenses incurred by the Group for business management and enhancement, all partially offset by (1) the significant increase in turnover for the year under review as compared with that for the year ended 31 December 2020 of approximately RMB13,335.2 million due to the increase in the demand for and the selling price of the Group's products during the year under review, resulting in a substantial increase in the gross profit of the Group for the year under review by approximately 34.3% to approximately RMB1,913.4 million as compared with that for the year ended 31 December 2020 of approximately RMB1,424.7 million; and (2) the turning of tax expenses of approximately RMB49.4 million for the year ended 31 December 2020 to tax credit of approximately RMB92.3 million for the year under review, which is mainly due to the recognition of deferred tax assets arising from the impairment loss under the ECL model. The Group's gross profit margin for the year under review decreased to approximately 10.0% (year ended 31 December 2020: 10.7%). Basic loss per share for the year under review was RMB8.90 cents (year ended 31 December 2020: earnings per share of RMB2.79 cents).

Market Review

In 2021, the national economy in China has been recovering from the impact of the COVID-19 pandemic as a result of the effective control measures adopted by the Chinese government. According to the National Bureau of Statistics of China, China's gross domestic product grew by 8.1% over that in 2020 to RMB114.4 trillion. China's manufacturing PMI had been above 50% for ten months during 2021, 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 LME increased by approximately 51.0% from approximately USD6,168.6 per tonne in 2020 to approximately USD9,314.7 per tonne in 2021. The average price of aluminium on the LME increased by approximately 61.3% from approximately USD1,386.6 per tonne in 2020 to approximately USD2,235.9 per tonne in 2021. As the Group prices its products on a cost-plus basis, the increase in the prices of raw materials has driven up the prices of the Group's products during the year under review, resulting in the significant increase in the turnover of the Group during the year under review.

Business Review

In 2021, the Group recorded a turnover of approximately RMB19,173.6 million, representing an increase of approximately 43.8% as compared with that in 2020. 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 2021, the Group increased its investments in technological transformation. During the year under review, a double-head 11-mold large-draw machine, a double-head 9-mold large-draw machine, and a German-imported 37-core copper-core stranding machine had commenced operations, a 61-core copper-core stranding machine imported from Germany, a 120 extruder imported from Italy and a BTTZ copper strip longitudinal clad welding production line have commenced operations. In 2021, four sets of new finnish-imported ultra-high-speed catenary medium-voltage cable CCV production lines have been purchased, of which one has been installed, and the remaining three will be installed in April 2022 and expected to commence operation in September 2022.

Turnover and Gross Profit Margin of the Products

	Turnover			Gross Profit Margin		
	2021	2020	% change	**2021**	2020	% change
	RMB'000	*RMB'000*				
Power cables	**12,831,473**	8,764,274	46.4%	**9.9%**	10.7%	-0.8%
Wires and cables for electrical equipment	**4,183,577**	2,944,958	42.1%	**5.9%**	6.1%	-0.2%
Bare wires	**526,037**	395,422	33.0%	**3.6%**	11.2%	-7.6%
Special cables	**1,632,465**	1,230,536	32.7%	**22.8%**	21.2%	1.6%
TOTAL	**19,173,552**	13,335,190	43.8%	**10.0%**	10.7%	-0.7%

Turnover

Power cable products — 67.0% of total turnover

For the year under review, the turnover of power cables which accounted for approximately 67.0% of the total turnover of the Group amounted to approximately RMB12,831.5 million, representing an increase of approximately 46.4% over that in 2020 of approximately RMB8,764.3 million. The sales volume of the Group's power cable products for the year under review increased by approximately 9.6% to approximately 217,210 km (year ended 31 December 2020: 198,131 km), which was mainly attributed 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 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 33.5% to approximately RMB59,074 per km (year ended 31 December 2020: RMB44,235 per km).

Gross profit of power cable products for the year under review increased to approximately RMB1,275.7 million (year ended 31 December 2020: RMB940.5 million), whereas gross profit margin for the year under review decreased to approximately 9.9% (year ended 31 December 2020: 10.7%) mainly due to change in product mix that the sales proportion of lower profit margin products increased during the year under review.

Wires and cables for electrical equipment products — 21.8% of total turnover

For the year under review, the turnover from wires and cables for electrical equipment increased by approximately 42.1% to approximately RMB4,183.6 million (year ended 31 December 2020: RMB2,945.0 million). The sales volume of wires and cables for electrical equipment increased by approximately 9.7% from approximately 1,584,145 km for the year ended 31 December 2020 to approximately 1,738,120 km for the year under review mainly 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 during the year under review. The average selling price of wires and cables for electrical equipment products increased by approximately 29.5% from approximately RMB1,859 per km for the year ended 31 December 2020 to approximately RMB2,407 per km for the year under review, mainly due to the increase in the average copper price during the year under review. Gross profit for the year under review increased to approximately RMB246.1 million (year ended 31 December 2020: RMB179.6 million) and gross profit margin slightly decreased to approximately 5.9% (year ended 31 December 2020: 6.1%), mainly due to the change of product mix during the year under review.

Bare wire products — 2.7% of total turnover

For the year under review, the turnover of bare wires increased by approximately 33.0% during the year under review to approximately RMB526.0 million (year ended 31 December 2020: RMB395.4 million). The sales volume of bare wires increased by approximately 17.1% to approximately 32,835 tonnes for the year under review (year ended 31 December 2020: 28,029 tonnes). The average price of bare wire products increased by approximately 13.6% to approximately RMB16,021 per tonne for the year under review (year ended 31 December 2020: RMB14,108 per tonne) which was in line with the increase in average price of aluminium in 2021. The gross profit and gross profit margin decreased respectively to approximately RMB19.1 million and 3.6% for the year under review (year ended 31 December 2020: RMB44.3 million and 11.2%) due to the increase in the Group’s sales in steel core aluminum standard wires with lower gross profit margin during the year under review.

Special cable products — 8.5% of total turnover

For the year under review, the turnover of special cables increased by approximately 32.7% to approximately RMB1,632.5 million (year ended 31 December 2020: RMB1,230.5 million). The sales volume of special cables for the year under review decreased by approximately 3.7% to approximately 59,616 km (year ended 31 December 2020: 61,918 km) mainly due to the change of product mix with more sale of higher profit margin products. The average selling price of special cables increased by approximately 37.8% from approximately RMB19,874 per km for the year ended 31 December 2020 to approximately RMB27,383 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 during the year under review. The gross profit margin of special cables increased by approximately 1.6 percentage points to approximately 22.8% (year ended 31 December 2020: 21.2%) 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 increased by approximately 44.0% to approximately RMB18,955.3 million (year ended 31 December 2020: RMB13,166.3 million), which accounted for approximately 98.9% (year ended 31 December 2020: 98.7%) 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 year under review as compared with that in 2020.

The turnover contributed by the overseas markets increased by approximately RMB49.4 million or approximately 29.2% to approximately RMB218.2 million for the year under review (year ended 31 December 2020: RMB168.9 million). This increase was mainly attributable to the increase in sales in Singapore 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, increased by approximately 44.9% to approximately RMB17,260.1 million for the year under review (year ended 31 December 2020: RMB11,910.5 million). The costs of raw materials accounted for approximately 96.8% of cost of goods sold for the year under review (year ended 31 December 2020: 96.1%), of which copper and aluminium were the Group's major raw materials, accounting for approximately 82.2% of the cost of goods sold for the year under review on aggregate basis (year ended 31 December 2020: 78.8%). Direct labour costs remained at approximately 1.1% of the total cost of goods sold for the year under review (year ended 31 December 2020: 1.2%). The remaining balance of approximately 2.1% of the cost of goods sold for the year under review (year ended 31 December 2020: 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.

Loss for the year

The Group recorded loss of approximately RMB540.5 million for the year under review from net profit of approximately RMB169.5 million for the year ended 31 December 2020. The turning of profit to loss for the year under review was mainly due to (i) the substantial increase in the impairment losses under the ECL model, net of reversal, by approximately 1,175.2% to approximately RMB1,185.7 million (year ended 31 December 2020: RMB93.0 million), mainly due to (a) the significant one-off specific provision made for certain receivables due from customers in the property sector, including the provision made for the receivables due from Evergrande amounting to approximately RMB878.4 million; and (b) the increase in the amount of trade and other receivables as at 31 December 2021 as a result of the significant increase in the Group's turnover for the year under review; (ii) the increase in selling and distribution costs by approximately 27.0% to approximately RMB711.3 million for the year under review as compared with those for the year ended 31 December 2020 of approximately RMB560.1 million, which is mainly due to the increase in the tender and inspection fees and transportation costs as a result of the increase in the Group's turnover for the year under review; and (iii) the increase in administrative expenses by approximately 29.2% to approximately RMB365.6 million for the year under review as compared with those for the year ended 31 December 2020 of approximately RMB283.0 million, which is mainly due to the increase in the entertainment and travelling expenses incurred by the Group for business management and enhancement, all partially offset by (1) the significant increase in turnover for the year under review as compared with that for the year ended 31 December 2020 of approximately RMB13,335.2 million due to the increase in the demand for and the selling price of the Group's products during the year under review, resulting in a substantial increase in the gross profit of the Group for the year under review by approximately 34.3% to approximately RMB1,913.4 million as compared with that for the year ended 31 December 2020 of approximately RMB1,424.7 million; and (2) the turning of tax expenses of approximately RMB49.4 million for the year ended 31 December 2020 to tax credit of approximately RMB92.3 million for the year under review, which is mainly due to the recognition of deferred tax assets arising from the impairment loss under the ECL model.

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 RMB151.2 million, or approximately 27.0%, from approximately RMB560.1 million for the year ended 31 December 2020 to approximately RMB711.3 million for the year under review. This increase in selling and distribution costs was mainly due to the increase in the tender and inspection fees and transportation costs as a result of the increase in the Group's turnover during the year under review. The selling and distribution costs as a percentage of turnover decreased by approximately 0.5 percentage points to approximately 3.7% for the year under review (year ended 31 December 2020: 4.2%).

Administrative expenses

The administrative expenses increased by approximately RMB82.6 million, or approximately 29.2%, from approximately RMB283.0 million for the year ended 31 December 2020 to approximately RMB365.6 million for the year under review, mainly due to the increase in the entertainment and travelling expenses incurred by the Group for business managment and enhancement during the year under review. The administrative expenses as a percentage of turnover decreased from approximately 2.1% for the year ended 31 December 2020 to approximately 1.9% for the year under review.

Research and development costs

The research and development costs increased by approximately 19.9% from approximately RMB62.6 million for the year ended 31 December 2020 to approximately RMB75.0 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.

Other losses, net

Other losses, net were mainly composed of exchange loss, gain (loss) on disposal of property, plant and equipment and write-down of inventories. Other losses, net decreased by approximately RMB19.5 million, or approximately 50.8%, from approximately RMB38.3 million for the year ended 31 December 2020 to approximately RMB18.8 million for the year under review, which were mainly caused by the classification of the write-down of inventories as cost of goods sold during the year under review.

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 increased by approximately RMB1,092.7 million, or approximately 1,175.2%, from approximately RMB93.0 million for the year ended 31 December 2020 to approximately RMB1,185.7 million for the year under review. This increase was mainly due to (a) the significant one-off specific provision made for certain receivables due from customers in the property sector, including full amount of provision made for the net receivables due from Evergrande amounting to approximately RMB878.4 million (year ended 31 December 2020: nil) arising from the uncertainty on the recoverability of those receivables assessed by the management of the Group with reference to the increase in liquidity risk and default risk of Evergrande; and (b) the increase in the amount of trade and other receivables as at 31 December 2021 as a result of the significant increase in the Group's turnover for the year under review, resulting in the increase in the provision calculated under the ECL model.

The Group performed impairment assessment under ECL model on financial assets (including trade and other receivables) which are subject to impairment assessment under HKFRS 9. The amount of ECL has been updated at each reporting date to reflect changes in credit risk since initial recognition.

Following widespread online sharing of a letter in August 2021, in which Evergrande warned the Guangdong government that it was at risk of experiencing a cash crunch, the Group had immediately taken actions to minimise the impairment loss that might arise from Evergrande, which includes (i) closely monitoring the progress of repayment with frequent dialog with the management of Evergrande; (ii) sending reminder to Evergrande and reconciling the outstanding balances due; (iii) negotiating alternative means of settlement in lieu of cash; and (iv) taking appropriate legal action such as filing civil petitions to the courts for demanding repayment of overdue balances. After the rumours of Evergrande financial difficulties surfaced, Evergrande attempted to sell assets to realise cash, but it was unsuccessful. Evergrande subsequently missed several debt payments and was downgraded by international ratings agencies. Evergrande finally defaulted on an offshore bond at the beginning of December 2021, after a one-month grace period had elapsed. The ratings agency Fitch then declared Evergrande to be in "restricted default". The Group considered that Evergrande is in severe financial difficulty and there is no realistic prospect of recovery of the full outstanding amount despite all the actions the Group had taken. The Group, according to its accounting policies, wrote off the full amount of the net receivables due from Evergrande amounting to approximately RMB878.4 million. As at the date of this announcement, it was reported that certain assets of Evergrande have been frozen on order of Chinese courts and Evergrande will eventually be placed into liquidation. As the liquidation of Evergrande is expected to bring minimal return to its creditors, the Group will stick with the write-off of the net receivables due from Evergrande. Any amount that may be recovered from Evergrande's liquidation in future will be recognised as profit of the Group.

Impairment losses under ECL model, net of reversal for the year under review of approximately RMB1,185.7 million, after deducting the specific provision for the net receivables due from Evergrande, amounting to approximately RMB307.3, which increased by approximately RMB214.3 million, or approximately 230.4%, from approximately RMB93.0 million for the year ended 31 December 2020. The increase was mainly due to the increase in both the probability of default and the exposure at default, and both functions are consistently applied and have positive correlation in the measurement of ECL. The increase in probability of default as at 31 December 2021 as compared to that as at 31 December 2020 was mainly triggered by the significant adverse impact to economic environment resulting from the Evergrande's default. The increase in exposure at default referred to the increase in the amount of trade and other receivables from approximately RMB5,647.1 million as at 31 December 2020 to approximately RMB6,071.2 million as at 31 December 2021, which was a result of the significant increase in the Group's turnover for the year under review.

Finance costs

Finance costs increased by approximately 7.5% from approximately RMB271.9 million for the year ended 31 December 2020 to approximately RMB292.4 million for the year under review, which was mainly attributable to the increase in the bank borrowings for the year under review to finance the Group's working capital required for purchasing copper at a significantly higher average copper price. Finance costs as a percentage of turnover decreased to approximately 1.5% (year ended 31 December 2020: 2.0%).

Financial Position and Liquidity

As at 31 December 2021, total assets of the Group amounted to approximately RMB15,690.7 million (31 December 2020: RMB15,771.8 million), representing a decrease of approximately 0.5%.

Non-current assets increased by approximately 56.6% from approximately RMB1,324.3 million as at 31 December 2020 to approximately RMB2,074.1 million as at 31 December 2021. The increase was mainly due to the addition of right-of-use assets, the increase in deposits paid for acquisition of property, plant and equipment, the increase in deferred tax assets, and the placement of long-term pledged bank deposits and time deposits during the year under review.

Current assets decreased by approximately 5.8% from approximately RMB14,447.6 million as at 31 December 2020 to approximately RMB13,616.6 million as at 31 December 2021, which was mainly due to the decrease in the structured deposits, pledged bank deposits, time deposits and bank balances and cash as at 31 December 2021, which was partially offset by the increase in the trade and other receivables and inventories as at 31 December 2021.

As at 31 December 2021, the Group had bank balances and cash of approximately RMB1,630.7 million (31 December 2020: RMB1,748.1 million), structured deposits of approximately RMB34.6 million (31 December 2020: RMB539.8 million), time deposits of approximately RMB181.6 million (31 December 2020: RMB743.0 million) and pledged bank deposits of approximately RMB1,967.2 million (31 December 2020: RMB2,093.8 million).

Total interest-bearing bank borrowings increased by approximately 12.4% from approximately RMB3,492.2 million as at 31 December 2020 to approximately RMB3,923.7 million as at 31 December 2021. Of the Group's total bank loans outstanding as at 31 December 2021, approximately 99.4% (31 December 2020: 99.2%) of short-term borrowings were made by the Company's subsidiaries in the PRC, namely Wuxi Jiangnan Cable Co. Ltd., Wuxi New Suneng Electric Power Science & Technology Co., Ltd, Jiangsu Zhongmei Cable Group Co. Ltd., Jiangsu Kai Da Cable Company Limited and Wuxi New Sun Cable Company Limited. These loans were not guaranteed by the Company.

The total equity as at 31 December 2021 was approximately RMB5,907.0 million, which was approximately 8.3% lower than the same as at 31 December 2020 of approximately RMB6,439.2 million. Such decrease in total equity was mainly attributable to the net loss for 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, time deposits and pledged bank deposits) of approximately RMB144.1 million over total equity of approximately RMB5,907.0 million as at 31 December 2021, dropped from approximately -17.0% as at 31 December 2020 to approximately 2.4% as at 31 December 2021. The deterioration in the net-debt-to-equity ratio as at 31 December 2021 as compared with that as at 31 December 2020, was mainly due to the increase in bank borrowings and the decrease in the time deposits and pledged bank deposits held by the Group as at 31 December 2021.

The Group had sufficient committed but unused banking facilities of approximately RMB1,726.1 million as at 31 December 2021 (31 December 2020: RMB2,233.1 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 2021, the Group has pledged certain of its leasehold lands, buildings, machineries, bills receivables and pledged bank deposits with carrying value of approximately RMB332.3 million, RMB139.3 million, RMB100.3 million, RMB104.6 million and RMB1,767.2 million respectively (31 December 2020: RMB274.2 million, RMB146.2 million, RMB55.1 million, RMB72.6 million and RMB2,093.8 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 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 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

Other than those as disclosed in Note 18, neither the Group nor the Company had any significant contingent liabilities as at 31 December 2021 (31 December 2020: nil).

The impact of the COVID-19 on the Group

In 2021, there was 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 during the year under review. Together with the effect of the increase in the copper price during the year under review, the Group recorded significant increase of turnover to approximately RMB19,173.6 million during the year under review. Due to the significant increase of turnover instead of the impact of the COVID-19 pandemic, the Group required more working capital to finance its operation during the year under review. The Group was able to meet the additional working capital requirements by utilising its available banking facilities. The Group has sufficient working capital and is in a healthy liquidity position to cope with its estimated business growth as well as the impact of the COVID-19 pandemic on its operations. The Group has implemented health management measures since the breakout of the COVID-19 pandemic to manage the impact of the COVID-19 pandemic. The Group will continue to monitor the possible impact of the COVID-19 pandemic that may evolve and will adjust its measures to minimise the impact of the COVID-19 pandemic.

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$39.4 million was brought forward in the year of 2020. The actual use of the net proceeds from the Listing as at 31 December 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 31 December 2021**
	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	148.0
Total	448.1	448.1

During the year under review, the net proceeds from the Listing of approximately HK$39.4 million were used in the expansion of the Group's production facilities for high and extra-high voltage cables. As at 31 December 2021, the net proceeds from the Listing have been fully utilised.

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 amount of unutilised net proceeds from the Rights Issue of approximately HK$242.1 million was brought forward in the year of 2020. The actual use of the net proceeds from the Rights Issue as at 31 December 2021 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 2021	Unutilised net proceeds as at 31 December 2021
	HK$'million	*HK$'million*	*HK$'million*
Expansion of the Group's production facilities for mid-rated voltage power cables	218.2	105.0	113.2
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	332.3	223.2

During the year under review, the net proceeds from the Rights Issue of approximately HK$7.5 million and HK$11.4 million were used for expansion of the Group's production facilities for mid-rate voltage power cables and upgrade and development of the Group's production facilities for flexible fire-proof cables respectively.

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 year.

Dividend

The Board does not recommend the declaration and payment of any final dividend for the year ended 31 December 2021 (year ended 31 December 2020: nil) 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 18 May 2022 to 23 May 2022, 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 17 May 2022.

Employees and Remuneration

As at 31 December 2021, the Group had a total of 3,482 (31 December 2020: 3,440) 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.

As at 1 January 2021 and 31 December 2021, there was no share of the Company (year ended 31 December 2020: nil) awarded to the Qualified Employees which was subject to vesting under the Share Award Scheme.

Property, Plant and Equipment

The Group's property, plant and equipment decreased from approximately RMB910.5 million as at 31 December 2020 to approximately RMB886.8 million as at 31 December 2021, representing a decrease of approximately 2.6%. This decrease 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.

STRATEGY AND OUTLOOK

In 2022, it is expected that the global economic situation will remain complex and severe, while the recovery will be unstable and unbalanced, and various derivative risks caused by international political conflicts and the impact of the COVID-19 pandemic will continue to emerge. As China's economy is facing the triple pressures of demand contraction, supply shock and weakening expectations, its recovery will be enormously challenging. From the perspective of industry development, the COVID-19 pandemic has led to a decline in demand, and the global wire and cable market has gradually shrunk. Under the principles of "housing is not for speculation" and "three red lines" in China, it is expected that the real estate market in 2022 will not be optimistic. The short-term adjustment of the market is expected to continue while the national market size is expected to decline. The market for mining cables, urban rail transit cables and airfield lighting cables has been clearly oversupplied, with sales prices transparent and market competition fierce. Globally, the economy is under pressure due to the ongoing COVID-19 pandemic, labour market issues, ongoing supply chain challenges and rising inflation. The United Nations predicts that global economic growth will fall to 4% and 3.5% in 2022 and 2023 respectively, after a 5.5% growth in 2021.

However, it is expected that the long-term positive fundamentals of China's economy will not change, as it has been proposed in the Central Economic Work Conference 2021 that the development of infrastructure construction will be pushed ahead of schedule moderately. On 11 December 2021, the solid promotion of the construction of 102 major engineering projects in the "14th Five-Year Plan" and the moderate advancement of infrastructure investments were proposed in the National Development and Reform Work Conference. In 2022, construction investments in new infrastructure, smart city, smart energy, smart transportation, 5G, and industrial Internet are expected to gain momentum, and major projects in Hebei, Guangdong, Shandong and other places in the country will be launched one after another, leading to an acceleration of stable investments. It is expected that there will be huge investment demand for infrastructure construction in the next few years. According to China's plans for the major fields requiring the use of wires and cables — electric power (new energy, smart grid), rail transit, aerospace, marine engineering, etc., the future prospects of China's wire and cable industry will be bright, and there is clearly a trend that products will continue to be upgraded. It is estimated that industry demand is expected to reach RMB1.8 trillion by 2026. In particular, it is expected that the following will create opportunities for the development of the Group in 2022:

1. At the national level in China, the state provides policy and financial support for key strategies such as "new infrastructure". In the "14th Five-Year Plan", the optimisation of China's energy structure, the raising of the proportion of new energy, and the building of a smart grid and an ultra-long-distance power transmission network were mentioned. State Grid promised that during the "14th Five-Year Plan" period, total investment in development is expected to be RMB579.5 billion, representing a year-on-year increase of RMB22.6 billion, of which grid investment will be RMB473 billion, representing a year-on-year increase of RMB12.5 billion.

2. During the "13th Five-Year Plan" period, China's national average annual investment in wind power was RMB129.2 billion, and the investment in photovoltaic power was RMB34.9 billion. Due to the relatively fast construction cycle of wind power and photovoltaic installations, based on the above-mentioned average annual installation capacity, it is estimated that the national average annual investment in wind power and photovoltaic during the "14th Five-Year Plan" period will be RMB350.4 billion, which will be 2.1 times the average annual investment amount during the "13th Five-Year Plan" period.

3. As China's national strategy for the next 40 years, "carbon neutrality" will profoundly change corporate behaviour and residents' lifestyles at all levels, and will have a huge impact on the transformation of the economic structure of the country. Renewable energy will enter into a big era, and there will be huge development opportunities for industries directly related to carbon neutrality such as photovoltaic, new energy vehicles, and energy storage.

Notwithstanding that the market is full of opportunities, there are still some issues yet to be resolved in the development of the Group, such as further improvement of the quality of its marketing function, further enhancement of its management standard and further improvement of its service capability. The Group will focus on the following areas in its business operations in 2022:

1. Continue to adhere to its main line of smart manufacturing, rely on comprehensive digital transformation, further refine its processes, realise seamless connection between production, sales and logistics, so as to better meet the needs of the market and its customers.

2. Strengthen the construction of its management team, deepen the cultivation of interdisciplinary talents and provide more platforms and opportunities for young employees to express themselves.

3. Carry out in-depth production and lean management, invite professional teams to provide on-site guidance, improve its production system, optimise its workshops' on-site environment, save energy and reduce consumption, improve its production efficiency and further reduce its manufacturing costs.

4. Adhere to the principle of "Cash is King", enhance its cash flow control, pay close attention to its receivables management, and selectively trim down the business operations with poor payment collection to reduce operational risks.

5. Adhere to its market positioning of "marketing + brand promotion", deeply cultivate its domestic market and improve its product market coverage.

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

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company adopted a code of corporate governance, containing the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") then in force in the year ended 31 December 2021 ("Relevant Period").

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 ("Chairman") and chief executive officer ("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 complied with all the applicable code provisions of the CG Code then in force during the Relevant Period.

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 Relevant Period.

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 Relevant Period was noted by the Company.

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

On 10 June 2021, Mr. Kan Man Yui Kenneth resigned as an independent non-executive Director (the "Kan Resignation") and ceased to be the chairman of the audit committee (the "Audit Committee") of the Board and a member of each of the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Board. Pursuant to Rule 3.10(1) of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Pursuant to Rule 3.10(2) of the Listing Rules, at least one of the independent non-executive directors must have the appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members, at least one of whom is 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. Following the Kan Resignation and until the appointment of Mr. Fok Ming Fuk (the "Fok Appointment") 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, (i) the Company had only two independent non-executive Directors and two members in each of the Audit Committee, the Remuneration Committee and the Nomination Committee, which fell below the respective minimum number of independent non-executive directors and members of the audit committee requirements under Rules 3.10(1) and 3.21 of the Listing Rules; and (ii) the Board did not have 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, or an Audit Committee member as required under Rule 3.21 of the Listing Rules meeting the same requirements under Rule 3.10(2) of the Listing Rules. 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 and audited consolidated annual results of the Group for the year ended 31 December 2021.

During the period from 1 January 2021 to 10 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 11 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 are Mr. Fok Ming Fuk (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 2021 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 30 March 2022. 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 2021 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 2021 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, 30 March 2022

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.