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JIANGNAN GROUP LIMITED
江南集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1366)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- Turnover increased by approximately 0.1% to RMB8,817.9 million (2021: RMB8,805.2 million)
- Gross profit decreased by approximately 16.3% to RMB783.2 million (2021: RMB935.5 million)
- Profit for the period increased by approximately 8.3% to RMB158.3 million (2021: RMB146.2 million)
- Basic earnings per share increased by approximately 8.3% to RMB2.61 cents (2021: RMB2.41 cents)

The board (“Board”) of directors (“Directors”) of Jiangnan Group Limited (“Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (“Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended	
		30.6.2022 RMB'000 (unaudited)	30.6.2021 RMB'000 (unaudited)
Turnover	3	8,817,910	8,805,187
Cost of goods sold		(8,034,754)	(7,869,680)
Gross profit		783,156	935,507
Other income	4	27,835	55,281
Selling and distribution costs		(213,597)	(305,587)
Administrative expenses		(141,236)	(168,722)
Research and development costs		(38,300)	(33,967)
Other gains (losses), net	5	10,419	(14,807)
Impairment losses under the expected credit loss (“ECL”) model, net of reversal	6	(98,802)	(142,852)
Share of results of associates		(2,168)	(2,004)
Finance costs		(144,550)	(145,807)
Profit before taxation	7	182,757	177,042
Taxation	8	(24,419)	(30,880)
Profit for the period		158,338	146,162
Other comprehensive income for the period			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investment in equity instrument at fair value through other comprehensive income (“FVTOCI”)		(10,146)	(1,557)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of a foreign operation		682	12,445
Total comprehensive income for the period		148,874	157,050
Earnings per share	10		
— Basic and diluted		RMB2.61 cents	RMB2.41 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30.6.2022 <i>RMB'000</i> (unaudited)	31.12.2021 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment	11	857,055	886,770
Right-of-use assets		281,884	339,317
Deposits paid for acquisition of property, plant and equipment		131,066	108,156
Goodwill		54,775	54,775
Interests in associates		–	–
Loan to an associate		18,918	20,390
Equity instrument at fair value through other comprehensive income		5,611	22,797
Pledged bank deposits		291,723	281,425
Time deposits		161,500	161,500
Deferred tax assets		213,958	198,983
		2,016,490	2,074,113
Current assets			
Inventories		3,745,844	4,174,207
Trade and other receivables	12	7,204,912	6,071,180
Structured deposits		28,500	34,600
Pledged bank deposits		1,808,288	1,685,824
Time deposits		292,000	20,050
Bank balances and cash		1,271,047	1,630,746
		14,350,591	13,616,607
Current liabilities			
Trade and other payables	13	4,895,912	4,667,477
Contract liabilities		1,174,091	1,035,923
Amounts due to directors		1,986	4,232
Bank and other borrowings	14	3,829,187	3,923,664
Lease liabilities		306	156
Taxation payable		95,574	87,581
		9,997,056	9,719,033
Net current assets		4,353,535	3,897,574
Total assets less current liabilities		6,370,025	5,971,687
Non-current liabilities			
Deferred tax liabilities		66,248	64,645
Bank and other borrowings	14	247,575	–
Lease liabilities		286	–
		314,109	64,645
Net assets		6,055,916	5,907,042
Capital and reserves			
Share capital	15	51,350	51,350
Reserves		6,004,566	5,855,692
Total equity		6,055,916	5,907,042

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements in Appendix 16 to the Rules (“Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“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 2022 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

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 HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 gains (losses), net, impairment losses under the 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	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
— power cables	5,651,456	6,034,028
— wires and cables for electrical equipment	2,080,191	1,890,597
— bare wires	284,475	188,805
— special cables	801,788	691,757
	<u>8,817,910</u>	<u>8,805,187</u>
Cost of goods sold		
— power cables	5,165,708	5,402,720
— wires and cables for electrical equipment	1,980,523	1,756,864
— bare wires	271,593	175,884
— special cables	616,930	534,212
	<u>8,034,754</u>	<u>7,869,680</u>
Segment results		
— power cables	485,748	631,308
— wires and cables for electrical equipment	99,668	133,733
— bare wires	12,882	12,921
— special cables	184,858	157,545
	<u>783,156</u>	<u>935,507</u>

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

	Six months ended	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment results	783,156	935,507
Unallocated income and expenses		
— Other income	27,835	55,281
— Selling and distribution costs	(213,597)	(305,587)
— Administrative expenses	(141,236)	(168,722)
— Research and development costs	(38,300)	(33,967)
— Other gains (losses), net	10,419	(14,807)
— Impairment losses under the ECL model, net of reversal	(98,802)	(142,852)
— Share of results of associates	(2,168)	(2,004)
— Finance costs	(144,550)	(145,807)
	<u>182,757</u>	<u>177,042</u>
Profit before taxation		

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 ("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 2022 and 31 December 2021.

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	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Bank interest income	21,853	18,513
Interest income from an associate	2,244	2,332
Investment income from structured deposits	271	23,202
Government subsidies (<i>Note</i>)	2,074	8,635
Others	1,393	2,599
	<u>27,835</u>	<u>55,281</u>

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 GAINS (LOSSES), NET

	Six months ended	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Exchange gain (loss)	6,653	(14,800)
Gain on disposal of right-of-use assets	4,899	–
(Loss) gain on disposal of property, plant and equipment	(142)	128
Fair value loss on financial assets at fair value through profit or loss (“FVTPL”)	(991)	(135)
	<u>10,419</u>	<u>(14,807)</u>

6. IMPAIRMENT LOSSES UNDER THE ECL MODEL, NET OF REVERSAL

	Six months ended	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment losses under the ECL model, net of reversal on:		
Trade receivables	93,450	136,415
Other receivables	3,086	4,101
Loan to an associate	2,266	2,336
	<u>98,802</u>	<u>142,852</u>

7. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit has been arrived at after charging:		
Interest on bank borrowings	144,548	145,803
Interest on lease liabilities	2	4
	<u>144,550</u>	<u>145,807</u>
Cost of inventories recognised as expenses	8,021,481	7,857,573
Depreciation of property, plant and equipment	56,063	57,825
Depreciation of right-of-use assets	4,509	4,531
	<u>8,082,053</u>	<u>7,919,932</u>

8. TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax		
PRC income tax	37,791	49,062
Deferred taxation	(13,372)	(18,182)
	<u>24,419</u>	<u>30,880</u>
Taxation charged for the period	<u>24,419</u>	<u>30,880</u>

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 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) (“Jiangnan Cable”) 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 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 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.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022 and 2021, the Group incurred the following capital expenditures on property, plant and equipment:

	Six months ended	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Buildings	5,956	–
Plant and machinery	11,895	25,643
Furniture, fixtures and equipment	1,682	9,864
Motor vehicles	552	3,517
Construction in progress	7,856	24,261
	<hr/>	<hr/>
Total	27,941	63,285
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During the six months ended 30 June 2022, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB1,621,000 (six months ended 30 June 2021: RMB65,000) for cash proceeds of approximately RMB1,479,000 (six months ended 30 June 2021: RMB193,000), resulting in a loss on disposal of approximately RMB142,000 (six months ended 30 June 2021: gain of RMB128,000).

During the six months ended 30 June 2022, the Group renewed lease agreements with lease terms of two years (six months ended 30 June 2021: nil). On the commencement date of the lease, the Group recognised right-of-use assets of approximately RMB588,000 (six months ended 30 June 2021: nil) and lease liabilities of approximately RMB588,000 (six months ended 30 June 2021: nil). The Group is required to make fixed monthly payments during the contract period.

As at 30 June 2022, the Group has pledged certain of its buildings and machineries with carrying values of approximately RMB135,263,000 and approximately RMB262,792,000 (31 December 2021: RMB139,337,000 and RMB100,307,000) respectively to certain financial institutions to secure credit facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

	30.6.2022	31.12.2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables from contract with customers	7,802,070	7,456,848
Less: Allowance for credit losses	(1,780,567)	(1,687,117)
	<hr/>	<hr/>
Trade receivables, net	6,021,503	5,769,731
Deposits paid to suppliers	961,827	141,054
Prepayments	32,554	33,321
Staff advances	11,033	9,298
Tender deposits	92,372	77,448
Security deposits	18,400	–
Value-added tax receivables	272	270
Others	66,951	40,058
	<hr/>	<hr/>
	7,204,912	6,071,180
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At 30 June 2022, total bills received amounting to approximately RMB467,756,000 (31 December 2021: RMB566,633,000) 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:

	30.6.2022	31.12.2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Age		
0 to 90 days	2,798,812	2,941,663
91 to 180 days	806,544	1,204,640
181 to 365 days	1,336,898	872,437
Over 365 days	1,079,249	750,991
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	6,021,503	5,769,731
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At 30 June 2022, included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately RMB3,255,278,000 (31 December 2021: RMB2,594,446,000) which were past due as at the reporting date. Out of the past due balance, approximately RMB3,115,821,000 (31 December 2021: RMB2,364,654,000) 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 RMB467,756,000 (31 December 2021: RMB566,633,000), the Group did not hold any collateral over these balances.

At 31 December 2021, bills receivables with an aggregate carrying amount of approximately RMB104,560,000 (30 June 2022: nil) have been pledged as security for the Group's borrowings.

13. TRADE AND OTHER PAYABLES

	30.6.2022	31.12.2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	4,478,848	4,201,105
Payroll and welfare accruals	62,963	118,585
Consideration payables (<i>Note a</i>)	130,698	130,698
Loans advanced from staff (<i>Note b</i>)	16,620	30,923
Deposit received for disposal of properties, plant and equipment and right-of-use assets	30,000	30,000
Other tax payables	36,960	55,363
Other deposits	6,740	7,900
Other payables and accruals	133,083	92,903
	<u>4,895,912</u>	<u>4,667,477</u>

Included in the Group's trade payables at 30 June 2022 were bills payables of approximately RMB2,719,970,000 (31 December 2021: RMB2,626,754,000).

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:

	30.6.2022	31.12.2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Age		
0 to 90 days	1,824,085	1,638,453
91 to 180 days	1,355,950	1,092,459
181 to 365 days	933,884	1,411,838
Over 365 days	364,929	58,355
	<u>4,478,848</u>	<u>4,201,105</u>

14. BANK AND OTHER BORROWINGS

	30.6.2022	31.12.2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Bank loans	3,895,413	3,923,664
Loans from a leasing company (<i>Note</i>)	181,349	–
	<u>4,076,762</u>	<u>3,923,664</u>
Bank and other borrowings comprise the following:		
— Within one year	3,829,187	3,923,664
— Within a period of more than one year but not exceeding two years	226,169	–
— Within a period of more than two years but not exceeding five years	21,406	–
	<u>4,076,762</u>	<u>3,923,664</u>
Less: Amount due within one year shown under current liabilities	<u>(3,829,187)</u>	<u>(3,923,664)</u>
Amount due after one year shown under non-current liabilities	<u>247,575</u>	<u>–</u>
Secured	794,312	481,954
Secured and guaranteed by independent third parties	258,050	416,200
Unsecured	1,480,150	1,558,310
Unsecured and guaranteed by independent third parties	1,544,250	1,467,200
	<u>4,076,762</u>	<u>3,923,664</u>
The bank and other borrowings comprise of:		
Variable rate borrowings	353,849	257,891
Fixed rate borrowings	3,722,913	3,665,773
	<u>4,076,762</u>	<u>3,923,664</u>

Note: As at 30 June 2022, Jiangnan Cable has two sets of sales and leaseback agreements with a leasing company for certain machineries and equipment of Jiangnan Cable (“Secured Assets”) and the leasing period is 30 months. Upon maturity of the leasing period, Jiangnan Cable is entitled to purchase the Secured Assets under each of the leaseback agreements at a nominal value of RMB1,000. The Group considered that it was almost certain that Jiangnan Cable would exercise these purchase options. As the substantial risks and rewards of the Secured Assets were retained by Jiangnan Cable, before and after these arrangements, the Group recorded such transactions as secured borrowings. As at 30 June 2022, the loans from the leasing company amounting to approximately RMB181,349,000 (31 December 2021: nil) were secured by certain machineries and equipment of the Group with the carrying amount of approximately RMB167,649,000 (31 December 2021: nil).

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

	30.6.2022 RMB'000 (unaudited)	31.12.2021 <i>RMB'000</i> (audited)
Euro	<u>–</u>	<u>24,891</u>

Certain bank and other 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:

	30.6.2022 RMB'000 (unaudited)	31.12.2021 <i>RMB'000</i> (audited)
For bank and other borrowings:		
— property, plant and equipment	398,055	239,644
— right-of-use assets	268,210	332,263
— bills receivables	–	104,560
— other receivables	18,400	–
For bank and other borrowings and bills payables:		
— pledged bank deposits	<u>2,100,011</u>	<u>1,967,249</u>
	<u>2,784,676</u>	<u>2,643,716</u>

15. SHARE CAPITAL

Movements in the authorised and issued share capital of the Company are as follows:

	Number of shares	Amount in HK\$	Shown in the financial statements as RMB'000
Ordinary shares at HK\$0.01 each			
Authorised:			
At 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>10,000,000,000</u>	<u>100,000,000</u>	
Issued and fully paid:			
At 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>6,118,299,000</u>	<u>61,182,990</u>	<u>51,350</u>

16. CAPITAL COMMITMENTS

	30.6.2022	31.12.2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditures contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	<u>9,905</u>	<u>36,837</u>

17. GUARANTEES

As at 30 June 2022, the performance and quality guarantees of an aggregate amount of approximately RMB325,531,000 (31 December 2021: 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 banks for indemnity. The Group will become liable to compensate such banks 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 approximately RMB648,965,000 (31 December 2021: RMB1,635,218,000).

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.

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

	Number of shares purchased '000	Cost of purchase HK\$'000	Cost of purchase RMB'000
At 1 January 2021, 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>48,135</u>	<u>47,655</u>	<u>40,190</u>

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	
	30.6.2022	30.6.2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Basic salaries and allowances	927	862
Retirement benefits scheme contributions	28	21
	955	883

The remuneration of the Directors is determined by the remuneration committee of the Board having regard to the performance of the individual Directors and the market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the six months ended 30 June 2022, the Group recorded a turnover of approximately RMB8,817.9 million, representing an increase of approximately 0.1% as compared with that in the corresponding period in 2021, and a profit for the period under review of approximately RMB158.3 million, representing an increase of approximately 8.3% as compared with that in the corresponding period in 2021. The increase in the profit for the period under review was mainly due to (i) the decrease in the selling and distribution costs by approximately 30.1% to approximately RMB213.6 million (six months ended 30 June 2021: RMB305.6 million) as a result of the decrease in the tender and inspection fee and travelling and entertainment expenses during the period under review; (ii) the decrease in the impairment losses under the ECL model, net of reversal, by approximately 30.8% to approximately RMB98.8 million (six months ended 30 June 2021: RMB142.9 million), which was mainly attributable to sufficient provision had been made and carried forward from the end of 2021; and (iii) the decrease in the administrative expenses by approximately 16.3% to approximately RMB141.2 million (six months ended 30 June 2021: RMB168.7 million) mainly due to the decrease in the entertainment expenses for business management and enhancement during the period under review, partially offset by (1) the decrease in gross profit for the period under review by approximately 16.3% to approximately RMB783.2 million (six months ended 30 June 2021: RMB935.5 million), which was mainly due to the decrease in gross profit margin as a result of more competitive pricing offered for the Group's cable products during the period under review as a measure to cope with the adverse impact of the Coronavirus disease 2019 ("COVID-19") pandemic on the Group; and (2) the decrease in the other income for the period under review by approximately 49.6% to approximately RMB27.8 million (six months ended 30 June 2021: RMB55.3 million) mainly due to the decrease in the investment income from structured deposits for the period under review. Basic earnings per share for the period under review was RMB2.61 cents while that for the six months ended 30 June 2021 was RMB2.41 cents, representing an increase of approximately 8.3%.

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 2.5% in the first half of 2022 amid the strict COVID-19 control measures adopted by the Chinese government for the period under review. The global economy is full of uncertainties and challenges along with persistent global supply chains and logistics constraints, the unexpected high inflation and accelerating interest rate hikes across certain developed countries, such as the U.S. and the United Kingdom, and geopolitical conflicts. For the period under review, the average price of copper on the London Metal Exchange Limited reached USD9,756 per tonne, which was 7.3% higher than that in the corresponding period in 2021, and the average price of aluminium reached USD2,362 per tonne, which was 14.3% higher than that in the corresponding period in 2021. As the Group prices its products on a cost-plus basis, the increase in raw material prices has alleviated the impacts of the drop in sales volume of the Group's power cables products, the major products of the Group, despite more competitive pricing offered for the Group's products as a measure to cope with the adverse impact of the COVID-19 pandemic on the Group during the period under review.

Turnover

For the six months
ended 30 June

	Turnover			Gross Profit Margin		
	2022	2021	Percentage Change	2022	2021	Change
	<i>RMB million</i>	<i>RMB million</i>				
Power cables	5,651.4	6,034.0	-6.3%	8.6%	10.5%	-1.9%
Wires and cables for electrical equipment	2,080.2	1,890.6	10.0%	4.8%	7.1%	-2.3%
Bare wires	284.5	188.8	50.7%	4.5%	6.8%	-2.3%
Special cables	801.8	691.8	15.9%	23.1%	22.8%	0.3%
Total	8,817.9	8,805.2	0.1%	8.9%	10.6%	-1.7%

Power Cable Products — 64.1% of Total Turnover

For the period under review, the turnover from power cable products amounted to approximately RMB5,651.4 million, representing a decrease of approximately 6.3% over that for the corresponding period in 2021 (six months ended 30 June 2021: RMB6,034.0 million), and the turnover of power cables products accounted for approximately 64.1% of the total turnover of the Group. Sales volume of the Group's power cable products decreased by approximately 9.4% to approximately 95,800 km (six months ended 30 June 2021: 105,781 km), mainly attributable to the control measures adopted on the COVID-19 pandemic in the PRC which had reduced customers' consumption of the Group's power cable products during 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 3.4% to approximately RMB58,992 per km (six months ended 30 June 2021: RMB57,043 per km). The gross profit of power cable products for the period under review decreased to approximately RMB485.7 million (six months ended 30 June 2021: RMB631.3 million) and the gross profit margin decreased to approximately 8.6% (six months ended 30 June 2021: 10.5%), mainly due to more competitive pricing offered for the Group's power cable products during the period under review as a measure to cope with the adverse impact of COVID-19 pandemic on the Group.

Wires and Cables for Electrical Equipment Products — 23.6% of Total Turnover

For the period under review, the turnover from wires and cables for electrical equipment products increased by approximately 10.0% to approximately RMB2,080.2 million (six months ended 30 June 2021: RMB1,890.6 million). Sales volume of wires and cables for electrical equipment products remained stable at approximately 812,001 km for the period under review (six months ended 30 June 2021: 812,092 km). The average price of wires and cables for electrical equipment products increased by approximately 10.1% from approximately RMB2,328 per km for the six months ended 30 June 2021 to approximately RMB2,562 per km for the period under review, mainly due to the increase in the average copper price and the change in the mix of the products during the period under review. The gross profit of wires and cables for electrical equipment products for the period under review decreased to approximately RMB99.7 million (six months ended 30 June 2021: RMB133.7 million) and the gross profit margin for the period under review dropped to approximately 4.8% (six months ended 30 June 2021: 7.1%), mainly due to more competitive pricing offered for the Group's wires and cables for electrical equipment products during the period under review as a measure to cope with the adverse impact of the COVID-19 pandemic on the Group.

Bare Wire Products — 3.2% of Total Turnover

The turnover from bare wires products significantly increased by approximately 50.7% to approximately RMB284.5 million (six months ended 30 June 2021: RMB188.8 million) for the period under review, and the sales volume of bare wire products increased by approximately 15.4% from approximately 13,102 tonnes for the six months ended 30 June 2021 to approximately 15,116 tonnes for the period under review. The average price of bare wire products increased by approximately 30.6% to approximately RMB18,819 per tonne (six months ended 30 June 2021: RMB14,410 per tonne) due to the increase in average aluminum price during the period under review and the increase in sales of higher pricing bare wire products in the first half of 2022. The gross profit margin of bare wire products decreased to 4.5% for the period under review (six months ended 30 June 2021: 6.8%) mainly due to more competitive pricing offered for the Group's bare wire products during the period under review as a measure to cope with the adverse impact of the COVID-19 pandemic on the Group.

Special Cable Products — 9.1% of Total Turnover

During the period under review, the sales volume of special cables products decreased to approximately 27,937 km (six months ended 30 June 2021: 28,605 km) while the turnover from special cable products increased by approximately 15.9% to approximately RMB801.8 million (six months ended 30 June 2021: RMB691.8 million) for the period under review. The average selling price of special cables products increased by approximately 18.7% from approximately RMB24,183 per km for the six months ended 30 June 2021 to approximately RMB28,700 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 and the change of product mix with an increase in the sale of higher selling price products during the period under review. The gross profit margin of special cable products slightly increased to approximately 23.1% (six months ended 30 June 2021: 22.8%) for 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 0.2% to approximately RMB8,729.7 million (six months ended 30 June 2021: RMB8,708.2 million), which accounted for approximately 99.0% of the Group's total turnover, and such slight increase was primarily due to more competitive pricing offered for the Group's products in the PRC during the period under review as a measure to cope with the adverse impact of the COVID-19 pandemic on the Group.

Revenue contributed by the overseas markets for the period under review decreased by approximately RMB8.8 million or approximately 9.1% as compared with that for the corresponding period in 2021. This decrease was mainly attributable to the decrease 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 2.1% to approximately RMB8,034.8 million during the period under review (six months ended 30 June 2021: RMB7,869.7 million). Costs of raw materials accounted for approximately 96.2% 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 83.0% of the cost of goods sold for the period under review on an aggregate basis. Direct labour costs slightly increased and accounted for approximately 1.3% of the total cost of goods sold for the period under review. The remaining balance of approximately 2.5% of the cost of goods sold for the period under review was attributable to production costs, which mainly consisted of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately RMB152.4 million, or approximately 16.3%, from approximately RMB935.5 million for the six months ended 30 June 2021 to approximately RMB783.2 million for the period under review. Gross profit margin decreased to approximately 8.9% for the period under review from approximately 10.6% for the six months ended 30 June 2021. The decrease in gross profit and gross profit margin for the period under review was mainly due to more competitive pricing offered for the Group's products during the period under review as a measure to cope with the adverse impact of the COVID-19 pandemic on the Group.

Profit for the Period

Profit for the period under review increased by approximately 8.3% from approximately RMB146.2 million for the six months ended 30 June 2021 to approximately RMB158.3 million for the period under review. Such increase was mainly due to (i) the decrease in the selling and distribution costs by approximately 30.1% to approximately RMB213.6 million (six months ended 30 June 2021: RMB305.6 million) as a result of the decrease in the tender and inspection fee and travelling and entertainment expenses during the period under review; (ii) the decrease in the impairment losses under the ECL model, net of reversal, by approximately 30.8% to approximately RMB98.8 million (six months ended 30 June 2021: RMB142.9 million), which was mainly attributable to sufficient provision had been made and carried forward from the end of 2021; and (iii) the decrease in the administrative expenses by approximately 16.3% to approximately RMB141.2 million (six months ended 30 June 2021: RMB168.7 million) mainly due to the decrease in the entertainment expenses for business management and enhancement during the period under review, partially offset by (1) the decrease in gross profit for the period under review by approximately 16.3% to approximately RMB783.2 million (six months ended 30 June 2021: RMB935.5 million), which was mainly due to the decrease in gross profit margin as a result of more competitive pricing offered for the Group's cable products during the period under review as a measure to cope with the adverse impact of the COVID-19 pandemic on the Group; and (2) the decrease in the other income for the period under review by approximately 49.6% to approximately RMB27.8 million (six months ended 30 June 2021: RMB55.3 million) mainly due to the decrease in the investment income from structured deposits 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 support 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 decreased by approximately RMB92.0 million, or approximately 30.1%, from approximately RMB305.6 million for the six months ended 30 June 2021 to approximately RMB213.6 million for the period under review. The decrease in the selling and distribution costs was mainly due to the decrease in the tender and inspection fee and travelling and entertainment expenses during the period under review. The selling and distribution costs as a percentage of turnover decreased from approximately 3.5% for the six months ended 30 June 2021 to approximately 2.4% for the period under review.

Administrative Expenses

Administrative expenses decreased by approximately RMB27.5 million, or approximately 16.3%, from approximately RMB168.7 million for the six months ended 30 June 2021 to approximately RMB141.2 million for the period under review, mainly due to the decrease in the entertainment expenses for business management and enhancement during the period under review. The administrative expenses as a percentage of turnover decreased from approximately 1.9% for the six months ended 30 June 2021 to approximately 1.6% for the period under review.

Research and Development Costs

Research and development costs increased by approximately 12.8% from approximately RMB34.0 million for the six months ended 30 June 2021 to approximately RMB38.3 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 2021.

Other Gains (Losses), Net

Other gains (losses), net were mainly composed of exchange gain (loss), gain on disposal of right-of-use assets, gain (loss) on disposal of property, plant and equipment and fair value loss on financial assets at FVTPL. Other gains (losses), net turned from net loss of approximately RMB14.8 million for the six months ended 30 June 2021 to net gain of approximately RMB10.4 million for the period under review, was mainly due to the turning of an exchange loss of approximately RMB14.8 million for the six months ended 30 June 2021 to an exchange gain of approximately RMB6.7 million for the period under review and the gain on disposal of right-of-use assets of approximately RMB4.9 million, which was absent for the six months ended 30 June 2021, during the period under review.

Impairment Losses under the ECL Model, Net of Reversal

Impairment losses under the ECL model, net of reversal, which mainly represented the net impairment losses on trade and other receivables and a loan to an associate, decreased by approximately RMB44.1 million, or approximately 30.8%, from approximately RMB142.9 million for the six months ended 30 June 2021 to approximately RMB98.8 million for the period under review. There was a significant one-off specific provision made for certain receivables due from customers in the property sector for the year ended 31 December 2021, the additional impairment losses on trade and other receivables for the period under review were mainly due to the increase in the remaining outstanding trade receivables as at 30 June 2022.

Finance Costs

Finance costs slightly decreased by approximately 0.9% from approximately RMB145.8 million for the six months ended 30 June 2021 to approximately RMB144.6 million for the period under review. The finance costs incurred remained stable as the borrowings during the period under review remained stable as compared with that during the corresponding period in 2021. Finance costs as a percentage of turnover slightly decreased from approximately 1.7% for the six months ended 30 June 2021 to approximately 1.6% for the period under review.

Taxation

The Group's taxation decreased by approximately RMB6.5 million, or approximately 20.9%, from approximately RMB30.9 million for the six months ended 30 June 2021 to approximately RMB24.4 million for the period under review. The effective tax rate for the period under review was approximately 13.4% (six months ended 30 June 2021: 17.4%). The decrease in the taxation and 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 High and New Technology Enterprises in China, that are entitled to a reduced income tax rate of 15% in the PRC.

Financial Position and Liquidity

As at 30 June 2022, total assets of the Group amounted to approximately RMB16,367.1 million (31 December 2021: RMB15,690.7 million).

Non-current assets decreased by approximately 2.8% from approximately RMB2,074.1 million as at 31 December 2021 to approximately RMB2,016.5 million as at 30 June 2022. The decrease was mainly due to the disposal of certain leasehold lands to the local government, the depreciation of property, plant and equipment and the decrease in the fair value of equipment instrument at FVTOCI, partially offset by the increase in the deferred tax assets in respect of the impairment losses under the ECL model, net of reversal, on trade and other receivables and increase in deposits paid for acquisition of property, plant and equipment during the period under review.

Current assets increased by approximately 5.4% from approximately RMB13,616.6 million as at 31 December 2021 to approximately RMB14,350.6 million as at 30 June 2022, which was mainly due to the increase in the trade and other receivables arising from the increase in the outstanding trade receivables and the increase in deposits paid to suppliers for acquisition of raw materials, and the increase in time deposits and pledged bank deposits as at 30 June 2022, partially offset by the decrease in inventory and bank balances and cash as at 30 June 2022.

Total bank and other borrowings increased by approximately 3.9% from approximately RMB3,923.7 million as at 31 December 2021 to approximately RMB4,076.8 million as at 30 June 2022. As at 30 June 2022, approximately RMB3,829.2 million (31 December 2021: RMB3,923.7 million) of the Group's bank and other borrowings were repayable within one year, approximately RMB226.2 million (31 December 2021: nil) were repayable within a period of more than one year but not exceeding two years and approximately RMB21.4 million (31 December 2021: nil) were repayable within a period of more than two years but not exceeding five years. Of the Group's total bank and other borrowings as at 30 June 2022, approximately 100.0% (31 December 2021: 99.4%) of the bank and other borrowings were made by the Company's subsidiaries in the PRC. These loans were not guaranteed by the Company.

Total equity was approximately RMB6,055.9 million as at 30 June 2022, which was approximately 2.5% higher than that of approximately RMB5,907.0 million as at 31 December 2021. 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 and other borrowings less bank balances and cash, time deposits and pledged bank deposits) of approximately RMB252.2 million over total equity of approximately RMB6,055.9 million as at 30 June 2022, slightly increased from approximately 2.4% as at 31 December 2021 to approximately 4.2%. As compared with the net-debt-to-equity ratio of 11.1% as at 30 June 2021, the net-debt-to-equity ratio of the Group as at 30 June 2022 has been improved. The slight deterioration in the net-debt-to-equity ratio as at 30 June 2022 as compared with that as at 31 December 2021, was mainly due to the increase in bank and other borrowings as a result of the sales and leaseback transactions which took place during the period under review.

On 7 January 2022, Jiangnan Cable, as the lessee, and Suyin Financial Leasing Co., Ltd. (蘇銀金融租賃股份有限公司) (“Suyin Financial”), as the lessor, entered into (1) the two transfer agreements, pursuant to which the Secured Assets shall be transferred from Jiangnan Cable to Suyin Financial at a total consideration of RMB200,000,000; and (2) the two leaseback agreements, pursuant to which the Secured Assets shall be leased by Suyin Financial to Jiangnan Cable for a lease term of 30 months at total lease payments of approximately RMB217,356,940, subject to the terms and conditions provided therein. Upon maturity of the lease term, Jiangnan Cable is entitled to purchase the Secured Assets under each of the leaseback agreements at a nominal value of RMB1,000. The finance lease arrangements above are accounted for as secured borrowing of the Group with the Secured Assets still being recognised as the assets of the Group in the consolidated financial statements of the Company. Further details are set out in the announcement of the Company dated 7 January 2022.

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 2022, 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 and leasehold lands with an aggregate carrying amount of approximately RMB1,621,000 and RMB53,512,000 (six months ended 30 June 2021: RMB65,000 and nil) respectively for cash proceeds of approximately RMB1,479,000 and RMB58,411,000 (six months ended 30 June 2021: RMB193,000 and nil) respectively, resulting in a loss on disposal of property, plant and equipment of approximately RMB142,000 (six months ended 30 June 2021: gain of RMB128,000) and a gain on disposal of right-of-use assets of approximately RMB4,899,000 (six months ended 30 June 2021: nil).

As at 30 June 2022, the Group has pledged certain of its leasehold lands, buildings, machineries, bills receivables, other receivables and pledged bank deposits with carrying value of approximately RMB268.2 million, RMB135.3 million, RMB262.8, nil, RMB18.4 million and RMB2,100.0 million respectively (31 December 2021: RMB332.3 million, RMB139.3 million, RMB100.3 million, RMB104.6 million, nil and RMB1,967.2 million respectively) to certain financial institutions to secure credit facilities granted to the Group.

During the six months ended 30 June 2022 and 2021, no interest expense was capitalised.

During the six months ended 30 June 2022 and 2021, the Group did not employ any financial instruments for hedging purposes.

Contingent Liabilities

Other than those as disclosed in Note 17 of Notes to the Condensed Consolidated Financial Statements, neither the Group nor the Company had any significant contingent liabilities as at 30 June 2022.

Use of Net Proceeds

Net proceeds from the Rights Issue

The net proceeds from the rights issue (“Rights Issue”) under which the Company issued 2,039,433,000 of its ordinary shares on the basis of one share (“Rights Share”) for every two existing shares in issue held on the record date at the subscription price of HK\$0.28 per Rights Share, 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\$223.2 million was brought forward from the year of 2021. 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 2022 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 2022 HK\$'million	Unutilised net proceeds as at 30 June 2022 HK\$'million
Expansion of the Group’s production facilities for mid-rated voltage power cables	218.2	112.0	106.2
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	339.3	216.2

During the period under review, the net proceeds from the Rights Issue of approximately HK\$7.0 million were used for the expansion of the Group's production facilities for mid-rated voltage power cables. 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 second half of 2022.

Employees and Remuneration

As at 30 June 2022, the Group had a total of 3,264 employees. The total staff costs, net of the remuneration of the Directors, amounted to approximately RMB153.9 million (six months ended 30 June 2021: RMB178.7 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 decreased from approximately RMB886.8 million as at 31 December 2021 to approximately RMB857.1 million as at 30 June 2022, representing a decrease of approximately 3.4%. This decrease mainly 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 2022, the global economic situation is still relatively severe, and international risks such as the conflict between Russia and Ukraine, and the Taiwan issue continue. In the second quarter of 2022, the production and operation of enterprises in China's Yangtze River Delta region were greatly affected by the pandemic, with production and transportation being the major problems. The interference of both the pandemic and overseas disturbances have not only slowed down the economic growth, but also damaged the economic structure to certain extent. However, there will still be a number of positive highlights in China's domestic economy in the second half of the year and it is predicted that the China's economy would record a "V-shaped" growth in 2022. Investments will support the economy, with infrastructure as the main pillar of growth, the manufacturing industry will drive the economy upward, while the turning point of the real estate industry remains to be seen. It is

expected that the constraints under China's policy for dual control of energy consumption will reduce in the second half of the year, and there is policy providing that power rationing must be resolutely put to an end this year. In the second half of the year, China's production is expected to be less disrupted by power and production restrictions, while the pandemic remains the main uncertainty. According to the strategic layout of China's "14th Five-Year Plan", high-end manufacturing is the key development direction, and its expected growth rate will still be higher than the overall performance of the manufacturing industry.

In the first half of the year, the price of raw materials and freight rates remained high and demand was sluggish. The impact of the pandemic on the midstream and downstream industries was greater than those on the upstream ones. The weak bargaining power of the midstream industries results in reduction of the profits of the midstream industries. With the concessions promoted by the Chinese government, the corporate expenses have also dropped to the lowest level in the recent years. In the second half of the year, with the gradual tightening of capital liquidity and the marginal decline of demand in overseas markets outside China, the price of some commodities such as non-ferrous metals is expected to fall from a high level, easing the pressure on the costs in the cable industry, and the profits of some upstream manufacturing industries may fall from a high level. Under the steady growth policy in China, the construction and building materials industries relating to the infrastructure and real estate chains are expected to maintain growth, which will also promote the growth of some midstream machinery manufacturing industries. The development of green infrastructure will drive the maintenance of the growth of photovoltaic, wind power-related electrical machinery equipment and general equipment manufacturing industries.

1. The cumulative investment of the "14th Five-Year Plan" power grid planning of State Grid and China Southern Power Grid will exceed RMB 2.9 trillion, which is significantly higher than the total investment of RMB2.57 trillion in the national power grid during the "13th Five-Year Plan" period and RMB2 trillion during the "12th Five-Year Plan" period. It is expected that, benefiting from the national long-term economic development plan and the advancement of new infrastructure and smart grid construction, the wire and cable industry will continue to be optimized and upgraded, showing a sustained and stable growth trend.
2. Solar energy is the cleanest, safest, and most reliable energy source in the future. Developed countries are taking the development and utilisation of solar energy as the main content of energy revolution in their long-term plans, and the photovoltaic industry is gradually becoming another developing industry growing exponentially following the IT and microelectronics industries in the world. In the second half of the year, with further development of the national "dual carbon" plan and the continuous growth of the new energy market, the photovoltaic cable market will also surge in growth.

3. In view of the rapid development of the wind energy industry in recent years and the increase of the national strategic investment, wind energy cables have become a new field for the cable industry. In 2020, the market size of China's offshore wind power cable industry is RMB6 billion, a year-on-year increase of 54.1%. In 2021, affected by the wave of quick installation of offshore wind power generation, the growth rate has increased significantly, and then it has fallen back and maintained steady growth. It is expected that the compound annual growth rate will be 37.36% from 2022 to 2025, and the market size will reach RMB25.40 billion in 2025.

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, further enhancement of its management and further improvement of its service capability. The Group will focus on the following areas for its business operations in the second half of 2022:

1. Adhere to the international and domestic markets, deeply cultivate the domestic market, constantly capture new opportunities in the gap in the domestic market, and further seize the market share.
2. Continue to adhere to its main line of smart manufacturing, rely on comprehensive digital transformation, speed up the transformation of smart intelligence, 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.
3. Strengthen the formation of the staff team, promote training through competitions, and conduct activities such as extensive competitions and training, and knowledge competitions, to create a good working atmosphere in which the staff strive for excellence through competition.
4. Continue conducting in-depth production and lean manufacturing management, engage professional teams to provide on-site guidance, improve its production system, optimise its on-site environment of its workshops, save energy, reduce consumption, improve its production efficiency, and further reduce the manufacturing costs.
5. Strengthen the performance management system, especially for the management, and strictly conduct performance appraisal in accordance with the business operating data.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules. Pursuant to code provision C.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 Issuers (“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.

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 under review and up 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, 25 August 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.