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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Turnover decreased by approximately 0.1% to approximately RMB19,151.3 million (2021: RMB19,173.6 million)
- Gross profit decreased by approximately 2.3% to approximately RMB1,869.3 million (2021: RMB1,913.4 million)
- Profit for the year attributable to the owners of the Company amounted to approximately RMB137.6 million (2021: loss for the year of RMB540.5 million)
- Basic earnings per share amounted to approximately RMB2.27 cents (2021: basic loss per share of RMB8.90 cents)
- The Board does not recommend the declaration and payment of any final dividend (2021: nil)

The board (“Board”) of directors (“Directors”) of Jiangnan Group Limited (“Jiangnan” or “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31 December 2022 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 2022

	Notes	2022 RMB'000	2021 RMB'000
Turnover	3	19,151,326	19,173,552
Cost of goods sold		<u>(17,281,996)</u>	<u>(17,260,114)</u>
Gross profit		1,869,330	1,913,438
Other income	4	73,990	106,673
Selling and distribution costs		(481,771)	(711,314)
Administrative expenses		(368,687)	(365,606)
Research and development costs		(185,651)	(75,027)
Other gains (losses), net	5	20,586	(18,841)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	6	(505,834)	(1,185,690)
Share of results of associates		(4,269)	(3,989)
Finance costs	7	<u>(276,547)</u>	<u>(292,387)</u>
Profit (loss) before taxation	8	141,147	(632,743)
Taxation	9	<u>(3,615)</u>	<u>92,287</u>
Profit (loss) for the year		<u>137,532</u>	<u>(540,456)</u>
Other comprehensive (expense) income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on equity instrument at fair value through other comprehensive income (“FVTOCI”)		(9,246)	(887)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of a foreign operation		<u>500</u>	<u>9,152</u>
		<u>(8,746)</u>	<u>8,265</u>
Total comprehensive income (expense) for the year		<u>128,786</u>	<u>(532,191)</u>

	<i>Note</i>	2022 RMB'000	2021 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		137,637	(540,456)
Non-controlling interests		(105)	–
		<u>137,532</u>	<u>(540,456)</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		128,891	(532,191)
Non-controlling interests		(105)	–
		<u>128,786</u>	<u>(532,191)</u>
Total comprehensive income (expense) for the year		<u>128,786</u>	<u>(532,191)</u>
Basic earnings (loss) per share	<i>11</i>	<u>RMB2.27 cents</u>	<u>RMB(8.90) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment	<i>12</i>	883,832	886,770
Right-of-use assets		277,664	339,317
Deposits paid for acquisition of property, plant and equipment		78,414	108,156
Goodwill		54,775	54,775
Interests in associates		–	–
Loan to an associate		17,702	20,390
Other receivables		18,400	–
Equity instrument at FVTOCI		6,511	22,797
Pledged bank deposits		326,131	281,425
Time deposits		–	161,500
Deferred tax assets		294,356	198,983
		1,957,785	2,074,113
Current assets			
Inventories	<i>13</i>	3,322,601	4,174,207
Trade and other receivables	<i>14</i>	6,069,598	6,071,180
Financial asset at fair value through profit or loss (“FVTPL”)		44,664	–
Structured deposits		37,363	34,600
Pledged bank deposits		1,772,254	1,685,824
Time deposits		50,000	20,050
Bank balances and cash		3,009,719	1,630,746
		14,306,199	13,616,607

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
Current liabilities			
Trade and other payables	<i>15</i>	5,239,515	4,667,477
Contract liabilities		1,224,389	1,035,923
Amounts due to directors		2,350	4,232
Bank and other borrowings	<i>16</i>	3,222,233	3,923,664
Lease liabilities		320	156
Taxation payable		85,366	87,581
		<u>9,774,173</u>	<u>9,719,033</u>
Net current assets		<u>4,532,026</u>	<u>3,897,574</u>
Total assets less current liabilities		<u>6,489,811</u>	<u>5,971,687</u>
Non-current liabilities			
Deferred tax liabilities		68,869	64,645
Bank and other borrowings	<i>16</i>	384,906	–
Lease liabilities		145	–
		<u>453,920</u>	<u>64,645</u>
Net assets		<u>6,035,891</u>	<u>5,907,042</u>
Capital and reserves			
Share capital		51,350	51,350
Reserves		5,984,583	5,855,692
Equity attributable to owners of the Company		6,035,933	5,907,042
Non-controlling interests		(42)	–
Total equity		<u>6,035,891</u>	<u>5,907,042</u>

NOTES:

1. GENERAL INFORMATION

Jiangnan Group Limited (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 (“PRC”). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment 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 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.

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 gains (losses), net, impairment losses under the expected credit loss (“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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
— power cables	12,401,378	12,831,473
— wires and cables for electrical equipment	4,241,383	4,183,577
— bare wires	670,154	526,037
— special cables	1,838,411	1,632,465
	<u>19,151,326</u>	<u>19,173,552</u>
Cost of goods sold		
— power cables	11,267,600	11,555,823
— wires and cables for electrical equipment	3,974,137	3,937,465
— bare wires	622,067	506,929
— special cables	1,418,192	1,259,897
	<u>17,281,996</u>	<u>17,260,114</u>
Segment results		
— power cables	1,133,778	1,275,650
— wires and cables for electrical equipment	267,246	246,112
— bare wires	48,087	19,108
— special cables	420,219	372,568
	<u><u>1,869,330</u></u>	<u><u>1,913,438</u></u>

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment results	1,869,330	1,913,438
Unallocated income and expenses		
— Other income	73,990	106,673
— Selling and distribution costs	(481,771)	(711,314)
— Administrative expenses	(368,687)	(365,606)
— Research and development costs	(185,651)	(75,027)
— Other gains (losses), net	20,586	(18,841)
— Impairment losses under ECL model, net of reversal	(505,834)	(1,185,690)
— Share of results of associates	(4,269)	(3,989)
— Finance costs	(276,547)	(292,387)
	<u>141,147</u>	<u>(632,743)</u>
Profit (loss) before taxation	<u>141,147</u>	<u>(632,743)</u>

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 2022 and 2021.

4. OTHER INCOME

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	53,321	32,960
Interest income from an associate	4,603	4,481
Fair value change of structured deposits	5,742	32,538
Government subsidies	4,278	29,700
Others	6,046	6,994
	<u>73,990</u>	<u>106,673</u>

5. OTHER GAINS (LOSSES), NET

	2022	2021
	RMB'000	RMB'000
Exchange gain (loss)	18,037	(18,330)
Fair value loss on financial asset at FVTPL	(1,013)	(134)
Loss on disposal of property, plant and equipment	(788)	(377)
Loss on write-off of property, plant and equipment	(211)	–
Gain on disposal of right-of-use assets	4,899	–
Others	(338)	–
	<u>20,586</u>	<u>(18,841)</u>

6. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022	2021
	RMB'000	RMB'000
Impairment losses under ECL model, net of reversal on:		
Trade receivables	439,307	1,175,765
Other receivables	62,076	5,537
Loan to an associate	4,451	4,388
	<u>505,834</u>	<u>1,185,690</u>

7. FINANCE COSTS

	2022	2021
	RMB'000	RMB'000
Interests on bank and other borrowings	276,536	292,380
Interests on lease liabilities	11	7
	<u>276,547</u>	<u>292,387</u>

8. PROFIT (LOSS) BEFORE TAXATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration	2,009	1,937
Other staff costs:		
Salaries and other benefits	340,889	299,238
Retirement benefit schemes contribution	48,724	42,944
	<u>391,622</u>	<u>344,119</u>
Total staff costs (<i>Note a</i>)	391,622	344,119
Less: Staff costs included in research and development costs	<u>(45,539)</u>	<u>(35,465)</u>
	<u>346,083</u>	<u>308,654</u>
Depreciation of property, plant and equipment	114,117	121,196
Less: Depreciation included in research and development costs	<u>(5,689)</u>	<u>(5,376)</u>
	<u>108,428</u>	<u>115,820</u>
Depreciation of right-of-use assets	<u>8,743</u>	<u>9,299</u>
Auditor's remuneration	2,782	2,968
Cost of inventories recognise as expenses	17,252,559	17,233,590
(Reversal of write-down) write-down of inventories (included in cost of goods sold) (<i>Note b</i>)	<u>(9,682)</u>	<u>29,473</u>

Notes:

- (a) During the year ended 31 December 2022, no government subsidy (2021: RMB29,000) in respect of Covid-19 was recognised as a deduction of the total staff costs.
- (b) During the year, there was an increase in the net realisable value of certain finished goods due to recovery of an active power cable market. As a result, a reversal of write-down of RMB9,682,000 has been recognised and included in cost of sales in the current year.

9. TAXATION

	2022	2021
	RMB'000	RMB'000
The charge (credit) comprises:		
Current tax		
PRC income tax	94,764	81,130
Deferred taxation	(91,149)	(173,417)
	<hr/>	<hr/>
Taxation charge (credit) for the year	3,615	(92,287)
	<hr/> <hr/>	<hr/> <hr/>

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. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: nil).

11. EARNINGS (LOSS) PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company	<u>137,637</u>	<u>(540,456)</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares in issue less shares held for the share award scheme for the purpose of the calculation of basic earnings (loss) per share	<u>6,070,164</u>	<u>6,070,164</u>

No diluted earnings (loss) 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Buildings	5,956	–
Plant and machinery	31,050	47,811
Motor vehicles	4,303	4,257
Furniture, fixtures and equipment	3,635	17,267
Construction in progress	<u>68,721</u>	<u>28,715</u>
	<u>113,665</u>	<u>98,050</u>

13. INVENTORIES

	2022	2021
	RMB'000	RMB'000
Raw materials	48,528	112,444
Work in progress	1,371,193	1,848,910
Finished goods	1,902,880	2,212,853
	<u>3,322,601</u>	<u>4,174,207</u>

14. TRADE RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Trade receivables, net	<u>5,765,834</u>	<u>5,769,731</u>

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:

	2022	2021
	RMB'000	RMB'000
0 to 90 days	2,871,325	2,941,663
91 to 180 days	1,023,344	1,204,640
181 to 365 days	839,821	872,437
Over 365 days	1,031,344	750,991
	<u>5,765,834</u>	<u>5,769,731</u>

15. TRADE PAYABLES

	2022	2021
	RMB'000	RMB'000
Trade payables	<u>4,765,295</u>	<u>4,201,105</u>

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:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	1,712,462	1,638,453
91 to 180 days	1,387,040	1,092,459
181 to 365 days	1,499,781	1,411,838
Over 365 days	166,012	58,355
	<u>4,765,295</u>	<u>4,201,105</u>

16. BANK AND OTHER BORROWINGS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	3,463,959	3,923,664
Loans from a leasing company (<i>Note</i>)	143,180	–
	<u>3,607,139</u>	<u>3,923,664</u>
Bank and other borrowings comprise the followings:		
— Within one year	3,222,233	3,923,664
— Within a period of more than one year but not exceeding two years	384,906	–
	<u>3,607,139</u>	<u>3,923,664</u>
Less: Amount due within one year shown under current liabilities	<u>(3,222,233)</u>	<u>(3,923,664)</u>
Amount due after one year shown under non-current liabilities	<u>384,906</u>	<u>–</u>
Secured	859,689	481,954
Secured and guaranteed by independent third parties	458,750	416,200
Unsecured	823,950	1,558,310
Unsecured and guaranteed by independent third parties	1,464,750	1,467,200
	<u>3,607,139</u>	<u>3,923,664</u>
Bank and other borrowings comprise of:		
Variable rate borrowings	339,680	257,891
Fixed rate borrowings	3,267,459	3,665,773
	<u>3,607,139</u>	<u>3,923,664</u>

Note: During the year ended 31 December 2022, the Group entered into two sets of sales and leaseback agreements with a leasing company for certain property, plant and equipment (the “Secured Assets”) and the leasing period is 30 months. Upon maturity of the leasing period, the Group 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 the Group would exercise these purchase options. As the substantial risks and rewards of the Secured Assets were retained by the Group before and after these arrangements, the Group recorded such transactions as secured borrowings.

17. CAPITAL COMMITMENT

	2022	2021
	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	<u>28,472</u>	<u>36,837</u>

18. GUARANTEES

As at 31 December 2022, performance and quality guarantees of an aggregate amount of RMB466,964,000 (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 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 under letters of guarantees of the subsidiaries by the Company, of which such letters of guarantees were secured by pledged bank deposits of an aggregated amount of RMB1,949,462,000 (2021: RMB1,635,218,000).

19. EVENT AFTER THE REPORTING PERIOD

On 16 February 2023, Power Heritage Group Limited, a company indirectly wholly-owned by Mr. Chu Hui (the chairman and the chief executive officer of the Company and an executive director of the Company), as the offeror (the “Offeror”), requested the board of directors of the Company to put forward the proposal (the “Proposal”) for the privatisation of the Company by the Offeror by way of a scheme of arrangement (the “Scheme”) under Section 86 of the Companies Act (2023 Revision) of the Cayman Islands involving the cancellation of the Scheme Shares (being the shares in the Company held by the shareholders of the Company, other than those held by the Offeror and the Rollover Shareholders who are Mr. Rui Yiping, KDG Investment Limited and Nexus NS Limited), and, in consideration thereof, the payment to the Scheme Shareholders (being the registered holders of the Scheme Shares as at the scheme record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme) of the cancellation price of HK\$0.40 in cash for each Scheme Share, and the withdrawal of the listing of the shares of the Company from the Stock Exchange.

Further details of the Proposal are set out in the announcements of the Company dated 21 February 2023, 13 March 2023 and 22 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

For the year ended 31 December 2022, the Group recorded revenue of approximately RMB19,151.3 million, representing a slight decrease of approximately 0.1% as compared with that for the year ended 31 December 2021 of approximately RMB19,173.6 million, and a profit for the year attributable to owners of the Company of approximately RMB137.6 million (year ended 31 December 2021: loss of RMB540.5 million). The turnaround from loss to profit for the year under review was mainly due to (i) the substantial decrease in the impairment losses under the ECL model, net of reversal, by approximately 57.3% to approximately RMB505.8 million during the year ended 31 December 2022 (year ended 31 December 2021: RMB1,185.7 million), mainly due to (a) the reduction of specific provision made for certain receivables due from customers in the property sector as at 31 December 2022; and (b) the decrease in the provision calculated under the ECL model for trade and other receivables as at 31 December 2022 as the remaining outstanding balance of trade receivables not backed by bank bills and before any provision calculated under the ECL model as at 31 December 2022 slightly decreased as compared with that as at 31 December 2021; (ii) the decrease in selling and distribution costs by approximately 32.3% to approximately RMB481.8 million for the year under review as compared with those for the year ended 31 December 2021 of approximately RMB711.3 million, which was mainly due to the decrease in the tender and inspection fees incurred during the year under review; and (iii) the decrease in finance costs by approximately 5.4% to approximately RMB276.5 million for the year under review as compared with those for the year ended 31 December 2021 of approximately RMB292.4 million, due to the reduction of short-term bank borrowings during the year under review, all partially offset by (1) the decrease in gross profit for the year under review by approximately 2.3% to approximately RMB1,869.3 million (year ended 31 December 2021: RMB1,913.4 million), which was mainly due to the decrease in gross profit margin as a result of the more competitive prices offered for the Group's products during the year under review as a measure to maintain the Group's market share in the cable industry; (2) the decrease in other income for the year under review by approximately 30.6% to approximately RMB74.0 million (year ended 31 December 2021: RMB106.7 million) mainly due to the reduction in the fair value change of structured deposits and the government subsidies for the year under review; (3) the turning of tax credit of approximately RMB92.3 million for the year ended 31 December 2021 to tax expenses of approximately RMB3.6 million for the year under review, which was in line with the turning from loss before taxation for the year ended 31 December 2021 to profit before taxation for the year ended 31 December 2022; and (4) the increase in research and development costs for the year under review by approximately 147.4% to approximately RMB185.7 million (year ended 31 December 2021: RMB75.0 million) as a result of additional resources being deployed for developing market leading and advanced products. The Group's gross profit margin for the year under review decreased to approximately 9.8% (year ended 31 December 2021: 10.0%). Basic earnings per share for the year under review was RMB2.27 cents (year ended 31 December 2021: loss per share of RMB8.90 cents).

Market Review

In 2022, the continued spread of the COVID-19 pandemic severely impacted the global trade supply chains, as well as the international financial markets, and the manufacturing industry was also negatively impacted due to the delayed resumption of work, reduced demand and increased transportation uncertainty. In addition, the Russia-Ukraine conflict in 2022 has created uncertainties for the global economy and accelerated the pace of anti-globalisation. China went through a slow economic recovery in light of the complex and volatile domestic and international environment. According to the National Bureau of Statistics of China, China's gross domestic product grew by 3.0% year-on-year to RMB121 trillion. China's manufacturing purchasing manager's index recorded 47% in December 2022 and was above the critical point (50%) for only four months in 2022, indicating a continued contraction in China's manufacturing sector. As the power cable industry in the PRC is closely correlated with China's economic environment, the demand for power cable products has been affected to some extent.

The average price of copper on the London Metal Exchange Limited ("LME") decreased by approximately 5.4% from approximately USD9,314.7 per tonne in 2021 to approximately USD8,814.8 per tonne in 2022. The average price of aluminium on the LME decreased by approximately 7.7% from approximately USD2,235.9 per tonne in 2021 to approximately USD2,064.1 per tonne in 2022. As the Group prices its products on a cost-plus basis, the decrease in the prices of raw materials, such as copper, had a negative impact on the prices of the Group's products during the year under review, resulting in a slight decrease in the turnover of the Group during the year under review.

Business Review

In 2022, the Group recorded a turnover of approximately RMB19,151.3 million, representing a decrease of approximately 0.1% as compared with that in 2021. In order to maintain its competitiveness and enhance its productivity, the Group continued to invest more than RMB50 million every year in machineries for upgrading its current production lines and setting up new ones. In recent years, the Group has continued to invest to increase its production capacities. In recent years, to cope with the fierce market competition, the Group has been aiming at high-end markets domestically and overseas, and has been deploying more and more resources to accelerate research and development of new and innovative products, processes and technologies. In 2022, the last three of the eight ultra-high-speed catenary continuous vulcanisation (CCV) lines imported from Finland were installed by the Group into its production lines before they were put into operation in September 2022. During the year under review, Jiangsu Zhongmei Cable Group Co., Ltd., a subsidiary of the Company, completed the technological transformation for 35kV and below rubber sheathed cables, with some old equipment removed and new advanced equipment added. The 25kV high-voltage spiral jumper cable and metal braided shielded reinforced optical fibre composite rubber

sheathed flexible cable for the coal cutter that were developed by the Group in 2022 have reached the world leading level. Cables of the Group that have reached the world advanced level include the 10kV low-wind-pressure aerial insulated cable, the 190/330kV crosslinked polyethylene insulated welded corrugated aluminium sheathed PVC sheathed longitudinally water and flame resistant power cable, the 0.6/1kV double-layer coextruded insulated irradiation crosslinked low-smoke halogen-free Class A flame-retardant power cable, the 35kV warping-resistant flexible cable for wind power generation, as well as the 66kV warping-resistant flexible cable for wind power generation.

Turnover and Gross Profit Margin of the Products

	Turnover			Gross Profit Margin		
	2022 RMB'000	2021 RMB'000	% change	2022	2021	% change
Power cables	12,401,378	12,831,473	-3.4%	9.1%	9.9%	-0.8%
Wires and cables for electrical equipment	4,241,383	4,183,577	1.4%	6.3%	5.9%	0.4%
Bare wires	670,154	526,037	27.4%	7.2%	3.6%	3.6%
Special cables	1,838,411	1,632,465	12.6%	22.9%	22.8%	0.1%
TOTAL	<u>19,151,326</u>	<u>19,173,552</u>	<u>-0.1%</u>	<u>9.8%</u>	<u>10.0%</u>	<u>-0.2%</u>

Turnover

Power cable products — 64.8% of total turnover

For the year under review, the turnover of power cables which accounted for approximately 64.8% of the total turnover of the Group amounted to approximately RMB12,401.4 million, representing a decrease of approximately 3.4% over that in 2021 of approximately RMB12,831.5 million. The sales volume of the Group's power cable products for the year under review decreased by approximately 9.2% to approximately 197,147 km (year ended 31 December 2021: 217,210 km), which was mainly attributed to the slowdown of the economy in China during the year under review. During the year under review, more power cable products with higher selling prices were sold by the Group to surmount the negative effect caused by the decrease in the average copper price. The average selling price of power cable products for the year under review increased by approximately 6.5% to approximately RMB62,904 per km (year ended 31 December 2021: RMB59,074 per km).

Gross profit of power cable products for the year under review decreased to approximately RMB1,133.8 million (year ended 31 December 2021: RMB1,275.7 million), and gross profit margin for the year under review decreased to approximately 9.1% (year ended 31 December 2021: 9.9%) mainly due to more competitive prices offered for the Group's power cable products during the year under review as a measure to maintain the Group's market share in the cable industry.

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

For the year under review, the turnover from wires and cables for electrical equipment increased by approximately 1.4% to approximately RMB4,241.4 million (year ended 31 December 2021: RMB4,183.6 million). The sales volume of wires and cables for electrical equipment slightly decreased by approximately 0.4% from approximately 1,738,120 km for the year ended 31 December 2021 to approximately 1,730,646 km for the year under review. The average selling price of wires and cables for electrical equipment products increased by approximately 1.8% from approximately RMB2,407 per km for the year ended 31 December 2021 to approximately RMB2,451 per km for the year under review, as a result of the increase in the sales of products with higher selling prices, which had offset the negative effect arising from the decrease in the average copper price during the year under review. Gross profit for the year under review increased to approximately RMB267.2 million (year ended 31 December 2021: RMB246.1 million) and gross profit margin increased to approximately 6.3% (year ended 31 December 2021: 5.9%), as a result of the increase in the average selling price of the products and the economies of scale in the production of wires and cables for electrical equipment during the year under review.

Bare wire products — 3.5% of total turnover

For the year under review, the turnover of bare wires increased by approximately 27.4% during the year under review to approximately RMB670.2 million (year ended 31 December 2021: RMB526.0 million). The sales volume of bare wires increased by approximately 7.0% to approximately 35,126 tonnes for the year under review (year ended 31 December 2021: 32,835 tonnes). The average price of bare wire products increased by approximately 19.1% to approximately RMB19,079 per tonne for the year under review (year ended 31 December 2021: RMB16,021 per tonne), which was resulted from the increased sales of bare wire products with higher selling prices. The gross profit and gross profit margin increased respectively to approximately RMB48.1 million and 7.2% for the year under review (year ended 31 December 2021: RMB19.1 million and 3.6%) due to the increase in the Group's sales in high and ultra-high voltage bare wires with higher gross profit margins during the year under review.

Special cable products — 9.6% of total turnover

For the year under review, the turnover of special cables increased by approximately 12.6% to approximately RMB1,838.4 million (year ended 31 December 2021: RMB1,632.5 million). The sales volume of special cables for the year under review increased by approximately 4.4% to approximately 62,224 km (year ended 31 December 2021: 59,616 km). The average selling price of special cables increased by approximately 7.9% from approximately RMB27,383 per km for the year ended 31 December 2021 to approximately RMB29,545 per km for the year under review as more special cables products with higher selling prices were sold during the year under review. The gross profit margin of special cables remained stable at approximately 22.9% (year ended 31 December 2021: 22.8%).

Turnover by geographical markets

The PRC remained the Group's key market during the year under review. The Group's turnover in the PRC market for the year under review slightly increased by approximately 0.3% to approximately RMB19,009.8 million (year ended 31 December 2021: RMB18,955.3 million), which accounted for approximately 99.3% (year ended 31 December 2021: 98.9%) of the Group's total turnover. The Group has continued to focus on the development of the PRC market. During the year under review, the Group tried to maintain its market share in the cable industry by offering its products at more competitive prices.

The turnover contributed by the overseas markets decreased by approximately RMB76.7 million or approximately 35.2% to approximately RMB141.5 million for the year under review (year ended 31 December 2021: RMB218.2 million). This decrease was mainly attributable to the decrease in the 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 0.1% to approximately RMB17,282.0 million for the year under review (year ended 31 December 2021: RMB17,260.1 million). The costs of raw materials accounted for approximately 96.6% of the cost of goods sold for the year under review (year ended 31 December 2021: 96.8%), of which copper and aluminium were the Group's major raw materials, accounting for approximately 81.4% of the cost of goods sold for the year under review on an aggregate basis (year ended 31 December 2021: 82.2%). Direct labour costs maintained at approximately 1.2% of the total cost of goods sold for the year under review (year ended 31 December 2021: 1.1%). The remaining balance of approximately 2.2% of the cost of goods sold for the year under review (year ended 31 December 2021: 2.1%) was attributable to production costs which mainly consisted of depreciation of equipment used in the production process, maintenance of production lines and equipment, moulding of parts and components and other miscellaneous production-related costs.

Profit for the year attributable to owners of the Company

The Group recorded a profit of approximately RMB137.6 million for the year under review from net loss of approximately RMB540.5 million for the year ended 31 December 2021. The turnaround from loss to profit for the year under review was mainly due to (i) the substantial decrease in the impairment losses under the ECL model, net of reversal, by approximately 57.3% to approximately RMB505.8 million during the year ended 31 December 2022 (year ended 31 December 2021: RMB1,185.7 million), mainly due to (a) the reduction of specific provision made for certain receivables due from customers in the property sector as at 31 December 2022; and (b) the decrease in the provision calculated under the ECL model for trade and other receivables as at 31 December 2022 as the remaining outstanding balance of trade receivables not backed by bank bills and before any provision calculated under the ECL model as at 31 December 2022 slightly decreased as compared with that as at 31 December 2021; (ii) the decrease in selling and distribution costs by approximately 32.3% to approximately RMB481.8 million for the year under review as compared with those for the year ended 31 December 2021 of approximately RMB711.3 million, which was mainly due to the decrease in the tender and inspection fees incurred during the year under review; and (iii) the decrease in finance costs by approximately 5.4% to approximately RMB276.5 million for the year under review as compared with those for the year ended 31 December 2021 of approximately RMB292.4 million, due to the reduction of short-term bank borrowings during the year under review, all partially offset by (1) the decrease in gross profit for the year under review by approximately 2.3% to approximately RMB1,869.3 (year ended 31 December 2021: RMB1,913.4), which was mainly due to the decrease in gross profit margin as a result of the more competitive prices offered for the Group's products during the year under review as a measure to maintain the Group's market share in the cable industry; (2) the decrease in other income for the year under review by approximately 30.6% to approximately RMB74.0 million (year ended 31 December 2021: RMB106.7 million) mainly due to the reduction in the fair value change of structured deposits and the government subsidies for the year under review; (3) the turning of tax credit of approximately RMB92.3 million for the year ended 31 December 2021 to tax expenses of approximately RMB3.6 million for the year under review, which was in line with the turning from loss before taxation for the year ended 31 December 2021 to profit before taxation for the year ended 31 December 2022; and (4) the increase in research and development costs for the year under review by approximately 147.4% to approximately RMB185.7 million (year ended 31 December 2021: RMB75.0 million) as a result of additional resources being deployed for developing market leading and advanced products.

Selling and distribution costs

During the year under review, selling and distribution costs mainly represented salary and welfare expenses of the Group's employees involved in selling and distribution activities, the services costs of the Group's providing technical support and after-sales services, the transportation costs for the 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 RMB229.5 million, or approximately 32.3%, from approximately RMB711.3 million for the year ended 31 December 2021 to approximately RMB481.8 million for the year under review. This decrease was mainly due to the decrease in the tender and inspection fees incurred by the Group during the year under review. The selling and distribution costs as a percentage of turnover decreased by approximately 1.2 percentage points to approximately 2.5% for the year under review (year ended 31 December 2021: 3.7%).

Administrative expenses

The administrative expenses increased by approximately RMB3.1 million, or approximately 0.8%, from approximately RMB365.6 million for the year ended 31 December 2021 to approximately RMB368.7 million for the year under review, mainly due to the increase in the bank charges paid to the banks, partially offset by the decrease in the entertainment expenses incurred for business management and enhancement during the year under review. The administrative expenses as a percentage of turnover remained stable at approximately 1.9% for the years ended 31 December 2022 and 2021.

Research and development costs

The research and development costs significantly increased by approximately 147.4% from approximately RMB75.0 million for the year ended 31 December 2021 to approximately RMB185.7 million for the year under review. The significant increase was mainly due to the increase in the resources being deployed by the Group to develop market leading and advanced products. The Group was committed to spending on technological research and development of new products which are expected to contribute higher gross profit margin to the Group.

Other gains (losses), net

Other gains (losses), net, were mainly composed of exchange gain (loss), loss on disposal of property, plant and equipment, fair value loss on financial asset at fair value through profit or loss (“FVTPL”) and gain on disposal of right-of-use assets. Other gains (losses), net, turned from a net loss of approximately RMB18.8 million for the year ended 31 December 2021 to a net gain of approximately RMB20.6 million for the year under review, which was mainly caused by the turning of an exchange loss of approximately RMB18.3 million for the year ended 31 December 2021 to an exchange gain of approximately RMB18.0 million for the year under review and the recognition of a gain on disposal of right-of-use assets of approximately RMB4.9 million during the year under review, which was absent for the year ended 31 December 2021.

Impairment losses under the ECL model, net of reversal

The Group performed impairment assessment under the 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. Impairment losses under the ECL model, net of reversal represented the net impairment losses on trade and other receivables as well as loan to an associate, which decreased by approximately RMB679.9 million, or approximately 57.3%, from approximately RMB1,185.7 million for the year ended 31 December 2021 to approximately RMB505.8 million for the year under review. This decrease was mainly due to (a) the reduction of specific provision made for certain receivables due from customers in the property sector as at 31 December 2022; and (b) the decrease in the provision calculated under the ECL model for trade and other receivables as at 31 December 2022 as the remaining outstanding balance of trade receivables not backed by bank bills and before any provision calculated under the ECL model as at 31 December 2022 slightly decreased as compared with that as at 31 December 2021.

Finance costs

Finance costs decreased by approximately 5.4% from approximately RMB292.4 million for the year ended 31 December 2021 to approximately RMB276.5 million for the year under review, which was mainly attributable to the reduction of short-term bank borrowings during the year under review. Finance costs as a percentage of turnover decreased to approximately 1.4% (year ended 31 December 2021: 1.5%).

Financial Position and Liquidity

As at 31 December 2022, total assets of the Group amounted to approximately RMB16,264.0 million (31 December 2021: RMB15,690.7 million), representing an increase of approximately 3.7%.

Non-current assets decreased by approximately 5.6% from approximately RMB2,074.1 million as at 31 December 2021 to approximately RMB1,957.8 million as at 31 December 2022. The decrease was mainly due to the decrease in the non-current time deposits as well as the right-of-use assets as at 31 December 2022, partially offset by the increase in the non-current pledged bank deposits and the deferred tax assets arising from the additional impairment loss recognised under the ECL model during the year under review.

Current assets increased by approximately 5.1% from approximately RMB13,616.6 million as at 31 December 2021 to approximately RMB14,306.2 million as at 31 December 2022, which was mainly due to the increase in the time deposits, pledged bank deposits and bank balances and cash as at 31 December 2022, which was partially offset by the decrease in the inventories as at 31 December 2022.

As at 31 December 2022, the Group had bank balances and cash of approximately RMB3,009.7 million (31 December 2021: RMB1,630.7 million), structured deposits of approximately RMB37.4 million (31 December 2021: RMB34.6 million), time deposits of approximately RMB50.0 million (31 December 2021: RMB181.6 million) and pledged bank deposits of approximately RMB2,098.4 million (31 December 2021: RMB1,967.2 million).

Total interest-bearing bank borrowings decreased by approximately 8.1% from approximately RMB3,923.7 million as at 31 December 2021 to approximately RMB3,607.1 million as at 31 December 2022. Of the Group's total bank loans outstanding as at 31 December 2022, all short-term borrowings (31 December 2021: 99.4%) 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 equity attributable to owners of the Company as at 31 December 2022 was approximately RMB6,035.9 million, which was approximately 2.2% higher than the same as at 31 December 2021 of approximately RMB5,907.0 million. Such increase in equity attributable to owners of the Company was mainly contributed by the net profit 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 negative RMB1,551.0 million over total equity of approximately RMB6,035.9 million as at 31 December 2022, improved from approximately 2.4% as at 31 December 2021 to approximately -25.7% as at 31 December 2022. The improvement in the net-debt-to-equity ratio as at 31 December 2022 as compared with that as at 31 December 2021, was mainly due to the decrease in bank borrowings and the increase in bank balances and cash held by the Group as at 31 December 2022.

The Group had sufficient committed but unused banking facilities of approximately RMB2,805.7 million as at 31 December 2022 (31 December 2021: RMB1,726.1 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 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 RMB272.8 million, RMB120.5 million, RMB223.5 million, RMB87.6 million, RMB18.4 million and RMB2,098.4 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 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 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 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 2022 (31 December 2021: nil).

The impact of the COVID-19 on the Group

In late 2022, the COVID-19 pandemic raged in Mainland China and a considerable number of the Group's employees in China have been infected. This has affected the normal operation of the factories of the Group in December 2022. As a result, the annual lost days due to sickness in relation to the operations of the Group's subsidiaries in China were nearly doubled to 3,642 days as compared to 1,960 lost days in 2021. With the quick recovery from COVID-19 infection across China in early 2023, the Group's factories in China resumed normal operation quickly. The Group recorded a turnover of approximately RMB19,151.3 million during the year under review, which was slightly less than that for the year ended 31 December 2021 of approximately RMB19,173.6 million.

Use of Net Proceeds

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\$223.2 million was brought forward in the year of 2021. The actual use of the net proceeds from the Rights Issue as at 31 December 2022 is 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 31 December 2022 HK\$'million	Unutilised net proceeds as at 31 December 2022 HK\$'million
Expansion of the Group's production facilities for mid-rated voltage power cables	218.2	176.8	41.4
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	404.1	151.4

During the year under review, the net proceeds from the Rights Issue of approximately HK\$71.8 million were used for 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 the net proceeds as stated in the prospectus of the Company dated 27 September 2019 in 2023.

Dividend

The Board does not recommend the declaration and payment of any final dividend for the year ended 31 December 2022 (year ended 31 December 2021: nil) to the shareholders of the Company.

Employees and Remuneration

As at 31 December 2022, the Group had a total of 3,525 (31 December 2021: 3,482) employees. Remuneration packages offered to the employees of the Group are in line with industry practices and are reviewed annually. The award of bonuses is discretionary and is based on the performance of, firstly, the individual employee, and secondly, the Group.

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

During the year ended 31 December 2022, there was no share of the Company (year ended 31 December 2021: 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 RMB886.8 million as at 31 December 2021 to approximately RMB883.8 million as at 31 December 2022, representing a decrease of approximately 0.3%. 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.

OUTLOOK AND PROSPECTS

Despite the grim economic conditions both domestically and overseas and the various uncertainties hindering the development of the Group, it is expected that China still be able to sustain the development of its wire and cable industry in 2023. General Secretary Xi Jinping emphasised in the Report to the 20th CPC National Congress that China will without any hesitation, revitalise the real economy and unswervingly encourage and support the development of the non-public sector. Efforts will be made speedily to boost China's strengths in manufacturing, quality and digital development. It is expected that the sustainability of the wire and cable sector, being the second-largest machinery industry after the automobile industry, will continue. In 2023, then Vice Premier Liu He indicated that China will still be in the stage of urbanisation, and the demand potential will provide strong support for the healthy development of the real estate industry. It was foreseeable that the recovery of the real estate industry would contribute to the development of the wire and cable industry to some extent. In particular, it is anticipated that the following will assist the wire and cable industry to sustain in 2023 and beyond:

1. The State Grid Corporation of China is expected to invest RMB579.5 billion in the later stage of the 14th Five-Year Plan, of which RMB473 billion will be invested in power grids.
2. As China continues to strive for a safe, eco-friendly, low-carbon and energy-saving environment and an intelligent and information-based society, the standards in relation to the requirements for the application of wires and cables in the construction of smart grids, urban modernisation, upgrading of urban and rural power grids, and construction of new-energy power stations will become higher, which will provide new opportunities for the development of wires and cables.
3. The demand for cables will continue to increase in 2023 with the accelerated installations of offshore wind power, photovoltaic and other new energy facilities. According to the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and the Long-Range Objectives Through the Year 2035, technology upgrades and intelligent transformation in the wire and cable industry will be promoted at the state level. It is expected that new policies to promote the rapid development of the cable industry will be released.

As the market is full of opportunities and risks, the Group will grasp any opportunities for its development and mitigate any risks that may arise by improving its marketing quality, management and service capabilities. The Group will focus on the following areas in its business operations in 2023:

1. It will keep on opening directly-operated stores, continuously increase its market share of small wires, and strive to further popularise its brand and expand its influence using its cables.
2. Efforts will be made to keep its sales methods up-to-date and develop its online sales business to enable more young customer groups and high-end customer groups to know the Group's products.
3. It will strengthen the service awareness of its employees, and all its departments will actively go out to get to know the market and the customers and obtain an understanding of the market trends and customer needs on a timely basis, so that "one-stop", "personalised" and "streamlined" services can be offered to the customers, and provide them with the best user experience.
4. It will strengthen cooperation with its quality customers, such as large state-owned enterprises and central-government-controlled enterprises, and participate in bids for their contracts in a planned and strategic way to ensure that it will be fit to work with such customers in the long run.
5. In order to drive its revenue and profit from its new products, it will increase investments in research and development and align its research and development initiatives with the trends of today's rapidly-changing market.

EVENT AFTER THE REPORTING PERIOD

On 16 February 2023, Power Heritage Group Limited, a company indirectly wholly-owned by Mr. Chu Hui (the chairman and the chief executive officer of the Company and an executive Director), as the offeror ("Offeror"), requested the Board to put forward the proposal ("Proposal") for the privatisation of the Company by the Offeror by way of a scheme of arrangement ("Scheme") under Section 86 of the Companies Act (2023 Revision) of the Cayman Islands involving the cancellation of the Scheme Shares (being the shares of the Company held by the shareholders of the Company, other than those held by the Offeror and the Rollover Shareholders who are Mr. Rui Yiping, KDG Investment Limited and Nexus NS Limited), and, in consideration thereof, the payment to the Scheme Shareholders (being the registered holders of the Scheme Shares as at the scheme record date for the purpose of determining entitlements of the Scheme Shareholders under the Scheme) of the cancellation price of HK\$0.40 in cash for each Scheme Share, and the withdrawal of the listing of the shares of the Company from the Stock Exchange.

Further details of the Proposal are set out in the announcements of the Company dated 21 February 2023, 13 March 2023 and 22 March 2023.

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

For the year ended 31 December 2022, 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 2022 ("Relevant Period") and had during the Relevant Period complied with the applicable code provisions of the CG Code then in force except for the following deviation.

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. 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 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") then in force during the Relevant Period.

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.

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 2022.

During the year under review and as at 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 2022 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 2023. 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 2022 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 2022 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 2023

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.