浦江國際集團
PUJIANG INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2060)

ANNUAL REPORT 2019

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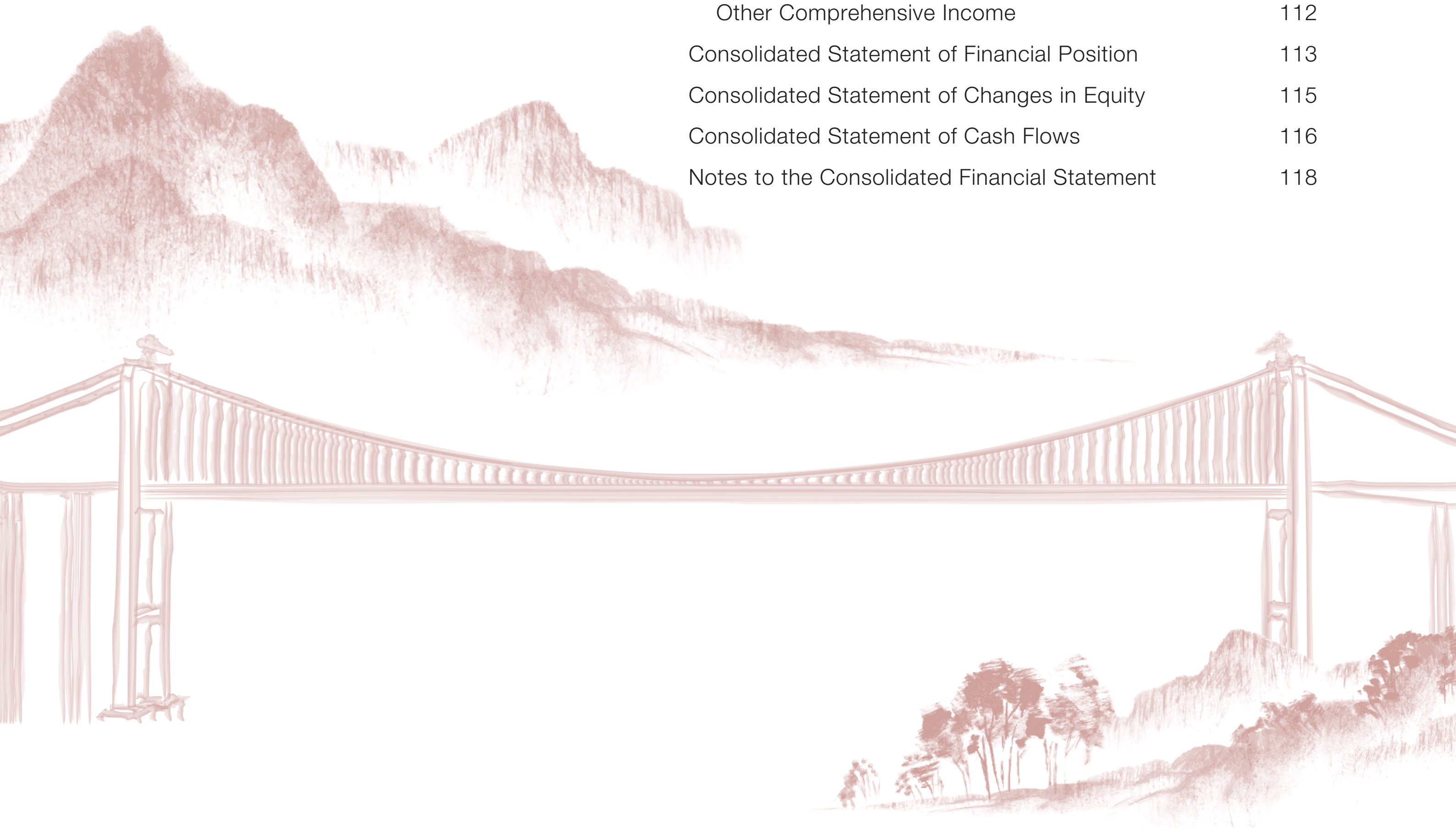


CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(CEO)*
Ms. Zhang Weiwen
Mr. Ni Xiaofeng

Independent Non-Executive Directors

Ms. Pan Yingli
Mr. Chen Dewei
Mr. Zhang Bihong

SENIOR MANAGEMENT

Mr. Daniel Ling
Mr. Luo Guoqiang
Mr. Xu Haoming
Mr. You Shengyi
Mr. Li Gang

COMPANY SECRETARY

Ms. Choy Yee Man *(FCS, FSIC)*

AUDIT COMMITTEE

Mr. Zhang Bihong *(Chairman)*
Ms. Pan Yingli
Mr. Chen Dewei

REMUNERATION COMMITTEE

Ms. Pan Yingli *(Chairman)*
Mr. Chen Dewei
Mr. Zhang Bihong

NOMINATION COMMITTEE

Mr. Chen Dewei *(Chairman)*
Ms. Pan Yingli
Mr. Zhang Bihong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 16, 518 Shangcheng Road
Shanghai 200120
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.pji-group.com

CAYMAN SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited

PRINCIPAL BANKERS

Guangzhong Sub-branch, Bank of Shanghai
No. 879, Guangzhong Road
Shanghai, China

Jiashan Sub-branch, Agriculture Bank of China
No. 285, East Jiefang Road
Weitang Street, Jiashan County
Jiaxing City, Zhejiang Province, China

Shanghai Branch, Bank of Nanjing
No. 909, North Zhongshan Road
Shanghai, China

AUDITOR

BDO Limited

HONG KONG LEGAL ADVISER

Norton Rose Fulbright Hong Kong

STOCK CODE

2060

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present, on behalf of the board of directors (the "Board") of Pujiang International Group Limited (the "Company", and together with its subsidiaries, the "Group"), the annual report of the Group for the financial year ended 31 December 2019.

2019 was a milestone year for the Group. The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 May 2019 (the "Listing"). The Listing is a breakthrough in the Group's business growth which marks the starting point of the Group's leapfrog development. The Group has achieved remarkable financial results in 2019. The business scale and profitability of the Group's two major business segments, namely, the Cable Business and the Prestressed Materials Business, have both reached record high. In particular, the Group is currently engaged in 40 on-going projects with respect to the Cable Business which amount to a backlog of approximately RMB1.249 billion in total, laying a solid foundation for the future development of the Group.

Looking ahead to 2020, with the PRC central government repeatedly stressing the importance of infrastructure investment for a stable economic development, we are confident that the business segments of the Group will continue to grow rapidly despite the global impacts of the COVID-19 pandemic.

Last but not least, I would like to express, on behalf of the Board, our heartfelt thanks to all shareholders of the Company, business partners and people from all walks of life for their continuous support and regards for the Group, and to the management and staff members of the Group for their hard work in the past year.

Dr. Tang Liang
Chairman and Executive Director
Shanghai, 19 April 2020

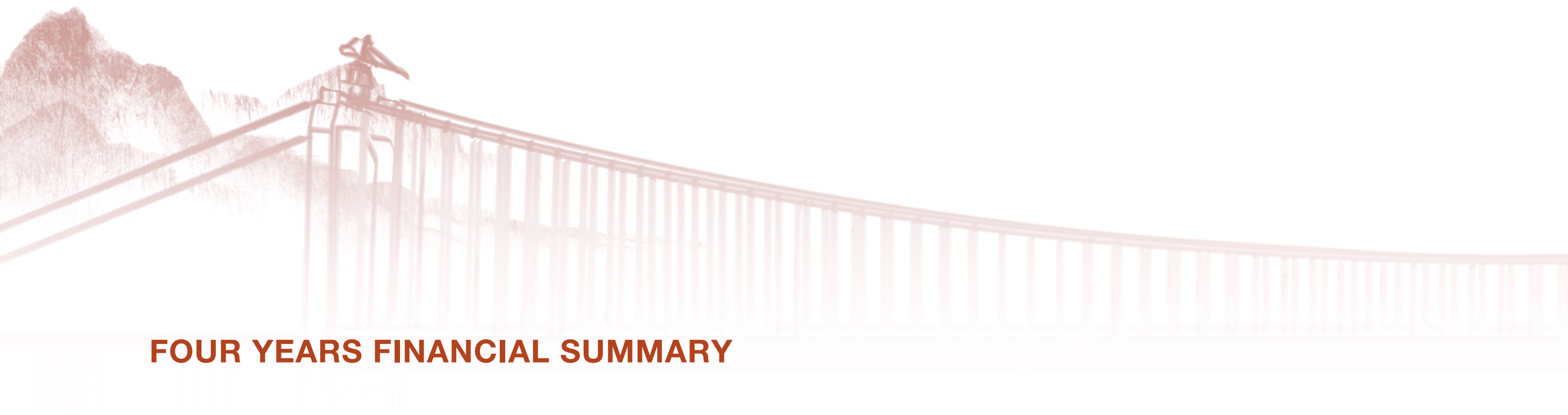
FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Change
	RMB'000	RMB'000	(%)
Revenue	**1,812,415**	1,383,335	31.0
Gross profit	**456,098**	326,501	39.7
Profit for the year	**134,350**	148,598	-9.6
Profit for the year attributable to owners of the Company	**99,739**	115,851	-13.9
	RMB	RMB	
Diluted earnings per share	**0.1376**	0.1931	-28.7
	RMB'000	RMB'000	
Total assets	**3,725,299**	2,521,725	47.7
Total liabilities	**1,821,771**	1,276,460	42.7
Net assets	**1,903,528**	1,245,265	52.9
Non-HKFRS Measure:			
Adjusted net profit Note 1	**194,187**	154,843	25.4
Adjusted net profit attributable to owners of the Company	**159,576**	122,096	30.7
	RMB	RMB	
Adjusted diluted earnings per share Note 2	**0.2202**	0.2035	8.2

Notes:

1. Adjusted net profit is calculated by adding back the one-off listing expenses and equity settled share-based payment to the profit for the year.

2. Adjusted diluted earnings per share is calculated by dividing adjusted net profit attributable to owners of the Company by the weighted average number of ordinary shares with the effect of dilution for the year. Please refer to note 16 of the notes to the consolidated financial statements for the calculation of the weighted average number of ordinary shares with the effect of dilution for the relevant year.



FOUR YEARS FINANCIAL SUMMARY

	For the year ended 31 December			
	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,812,415**	1,383,335	1,317,693	1,081,887
Gross profit	**456,098**	326,501	245,907	214,455
Profit for the year	**134,350**	148,598	88,672	74,878
Assets				
Non-current assets	**367,350**	144,804	160,495	210,330
Current assets	**3,357,949**	2,376,921	1,760,196	1,521,704
Total Assets	**3,725,299**	2,521,725	1,920,691	1,732,034
Liabilities				
Non-current liabilities	**44,212**	–	50,000	50,000
Current liabilities	**1,777,559**	1,276,460	774,011	674,464
Total Liabilities	**1,821,771**	1,276,460	824,011	724,464
Total Equity	**1,903,528**	1,245,265	1,096,680	1,007,570

BUSINESS REVIEW

The Group is the largest provider of bridge cables for the construction of super-long-span bridges in China and one of the leading prestressed materials manufacturers in China. The shares of the Company (the "Shares") were successfully listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing") on 28 May 2019 (the "Listing Date").

For the year ended 31 December 2019, the Group operated two main reporting business segments, namely, the business which manufactures and supplies cables for construction of bridges (the "Cable Business") and the business which manufactures and supplies prestressed materials for various infrastructure construction (the "Prestressed Materials Business"). For 2019, the total revenue of the Group amounted to RMB1,812.4 million, representing an increase of 31.0% as compared to last year. The revenue increase was mainly due to a 70.3% increase in sales from the Cable Business. The Group recorded profit of RMB134.4 million in 2019, representing a decrease of 9.6% as compared to 2018. This decrease was mainly due to the increase in one-off administrative expenses which included listing expenses and equity settled share-based payment. The adjusted net profit (excluding the listing expenses and equity settled share-based payment of an aggregate amount of RMB59.8 million) for 2019 was RMB194.2 million, representing an increase of 25.4% as compared to 2018. The gross profit margin has also improved as the Group has increased the sales of bridge cables which have a higher profit margin.

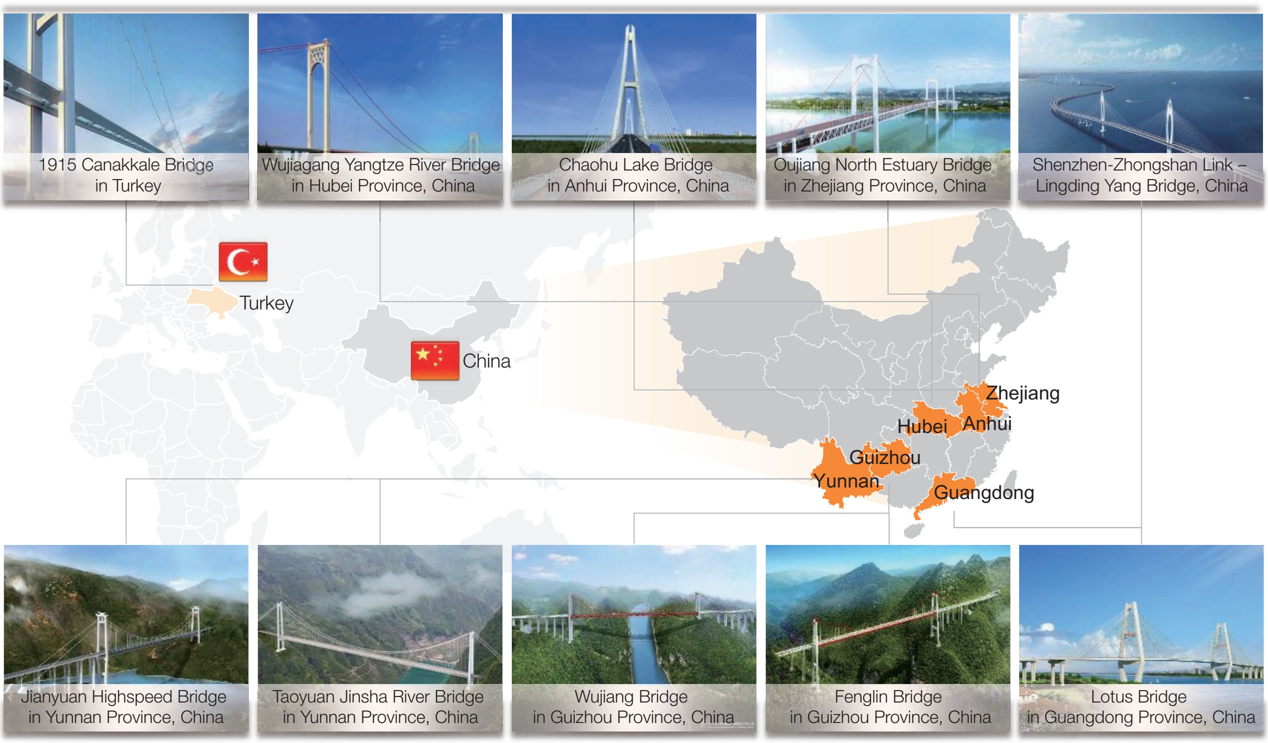
In 2019, the Group was awarded 83 new projects and had signed new contracts with a total contract value of approximately RMB1,005.9 million for the Cable Business. In 2019, the Group has completed 76 projects for the Cable Business. As of the date of this report, the Group has 40 on-going projects with a backlog amounting to RMB1,249.1 million[1]. With the on-going projects in hand, including the Shenzhen-Zhongshan Link – Lingding Yang Bridge, the Oujang North Estuary Bridge in China and 1915 Canakkale Bridge in Turkey, the Group expects that the revenue from the Cable Business will continue to grow in the 2020. Below sets out some of the on-going projects for the Cable Business:

- 1915 Canakkale Bridge in Turkey
- Shenzhen-Zhongshan Link – Lingding Yang Bridge, China (深中通道伶仃洋大橋)
- Oujiang North Estuary Bridge in Zhejiang Province, China (甌江北口大橋)
- Jianyuan Highspeed Bridge in Yunnan Province, China (建元高速特大橋)
- Wujiang Bridge in Guizhou Province, China (烏江大橋)

[1]Note: Backlog refers to the outstanding contract value that remains to be delivered under the signed contracts under the Cable Business as at a certain date, assuming that the products will be delivered according to the terms of the contracts.

BUSINESS REVIEW (Continued)

- Fenglin Bridge in Guizhou Province, China (貴州峰林特大橋)
- Wujiagang Yangtze River Bridge in Hubei Province, China (伍家崗長江大橋)
- Chaohu Lake Bridge in Anhui Province, China (巢湖大橋)
- Taoyuan Jinsha River Bridge in Yunnan Province, China (濤源金沙江大橋)
- Lotus Bridge in Guangdong Province, China (蓮花大橋)



BUSINESS REVIEW (Continued)

In terms of technology enhancement activities, the Group obtained 13 new registered patents. The Group was awarded the following prizes and awards during 2019:

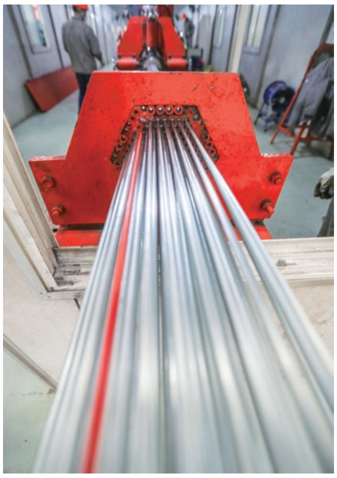
Award	Granting Authority
Second Class Prize of the Shanghai Science and Technology Prize (上海市科學技術獎)	Shanghai Municipal People's Government
2017 – 2018 Shanghai Civilized Company (2017 – 2018上海市文明單位)	Shanghai Municipal People's Government
2018 Modern Craftsman (2018年度新時代工匠)	Cihu High and New Technology Region Management Authority
Third Class Prize for Science Advancement (科學技術進步獎三等獎）	Yunnan Province Provincial Government
Shanghai Brand（上海品牌）	Shanghai Brand International Certification Alliance
Second Class Prize for Science and Technology Award (科學技術獎二等獎)	Shanghai Highway and Transportation Society
2018 Top 10 Enterprise of Transforming High New Technology research outcome (2018年度上海市高新科技成果轉化項目自主創新10強)	Shanghai Municipal Technology Enterprise Centre
Humen No. 2 Bridge Excellent Manufacturer (虎門二橋優秀製造商)	Guangdong Province Highway Construction Company, Humen No. 2 Bridge Branch

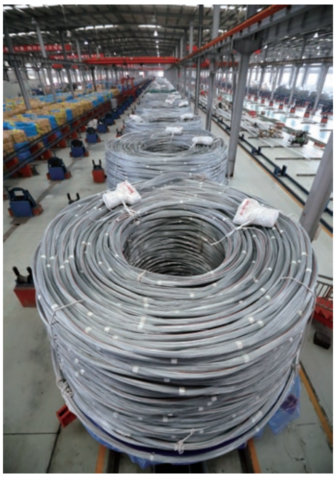
The following projects that the Group has participated were awarded the following during 2019:

Award	Projects
2018 – 2019 China Construction Engineering Luban Award (2018 – 2019中國建築工程魯班獎)	Aizhai bridge 矮寨特大懸索橋 Sunxi River Bridge 笋溪河特大橋

BUSINESS REVIEW (Continued)

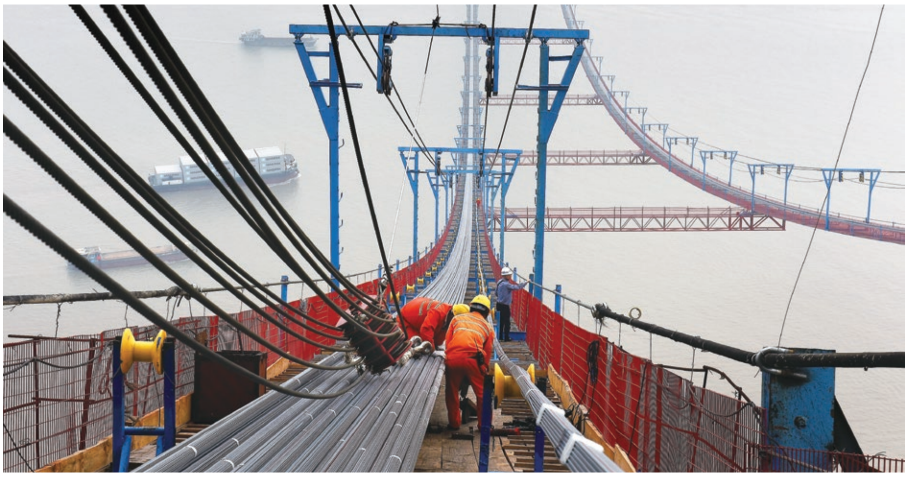
In 2019, the Group has focused on the production and sale of bridge cables, which generally have a higher profit margin compared to the Prestressed Materials Business. The Group plans to seize the growing opportunities in the infrastructure construction industry both in China and overseas, enhance the core competitiveness and profitability of the Group, and strengthen the market position in the growing infrastructure market. As one of the leading manufacturers in the markets that the Group operates in, the Group is prepared to capture growing market opportunities and strengthen the market position. In 2019, the Group has successfully developed a zinc-magnesium-alloy for the production of suspension cable, and due to this patented technology, the Group has successfully won the sales contracts with an aggregate contract value of RMB400 million for the production of suspension cable for the Shenzhen-Zhongshan Link – Lingding Yang Bridge and the Fenglin Bridge in Guizhou Province in China. In addition, with the effort in the research and development in bridge cables, the Group will continue the research in smart cable and optic fibre cable with the use of big data technology in order to open up a new trajectory in the development of bridge cables.

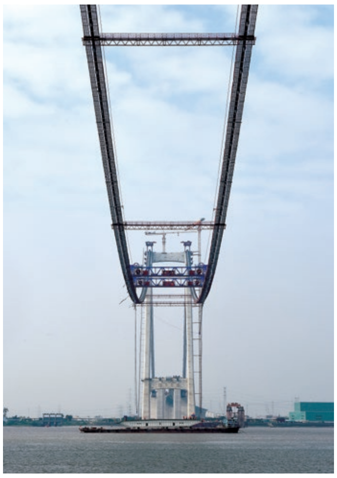


The Pujiang production facility for the Cable Business

BUSINESS REVIEW (Continued)





Construction site for cable installation

For the Prestressed Materials Business, the revenue in this business segment continued to grow compared to 2018, and the Group has focused on the sales of rare earth coated prestressed products and galvanised prestressed products due to the higher profit margin than plain surface prestressed products. In order to capture the growing demand of galvanised prestressed products, the plan to expand the production capacity for such products is underway.

BUSINESS REVIEW (Continued)

Production facilities for the Prestressed Materials Business

BUSINESS REVIEW (Continued)

In January 2020, the Group acquired a piece of land of approximately 63,000 sq.m for the construction of the new production facility at Jiujiang, Jiangxi Province, and due to the delay caused by the COVID-19 pandemic, the Group is striving to commence the construction work in the second half of 2020, subject to the government's approval on the construction plan. For the expansion of the Research and Development centre for the Cable Business ("R&D Centre"), due to delay in obtaining the relevant government's approvals in the planning and design of the R&D Centre, the Group is striving to commence construction work in the second half of 2020. However, the actual schedule of the above construction work may be delayed depending on the COVID-19 pandemic situation in China.

In addition, the Group continued to explore various investment opportunity that would be beneficial to the Shareholders. In August 2019, the Group entered into an equity transfer agreement to acquire 26% equity interest in Shanghai Push Medical Device Technology Co., Limited (now known as Shanghai Push Medical Device Co., Limited) ("Shanghai Push"). Shanghai Push is principally engaged in developing the technology of, manufacturing and sales of medical equipment, specializing in heart-related diseases, its products are marketed and sold under the PushMed® trademark. Shanghai Push was recognized as a High New Technology Enterprise in November 2018 and is anticipating for a listing application on the Science and Technology Innovation Board of Shanghai Stock Exchange (上海證券交易所科創板). The Board is positive towards the prospects of Shanghai Push and the Directors are of the view that the acquisition of Shanghai Push is an attractive investment which will provide satisfactory return to the Group.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The following table sets out the breakdown of revenue by operating segment and project/product type:

	2019		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Cable Business				
Suspension cable projects	651,855	36%	221,554	16%
Stay cable projects	220,855	12%	284,965	21%
Others – installation projects	10,201	1%	11,579	1%
Others – sale of scrap materials	612	0%	700	0%
	883,523	49%	518,797	38%
Prestressed Materials Business				
Plain surface prestressed products	19,485	1%	31,917	2%
Rare earth coated prestressed products	734,204	41%	685,532	50%
Galvanised prestressed products	149,275	8%	142,274	10%
Other steel materials	25,928	1%	4,815	0%
	928,892	51%	864,538	62%
Total	1,812,415	100%	1,383,335	100%

Revenue increased by 31.0% from RMB1,383.3 million in 2018 to RMB1,812.4 million in 2019, mainly attributable to the increase in revenue from the Cable Business.

Revenue generated from the Cable Business increased by 70.3% from RMB518.8 million in 2018 to RMB883.5 million in 2019, mainly attributable to the 194.2% increase in sales to suspension cable projects from several high contract value projects in the Cable Business such as the 1915 Canakkale Bridge, Tiger Leaping Gorge Jinsha River Bridge and Taoyuan Jinsha River Bridge, and the increase in the number of bridge cable projects.

Revenue generated from the Prestressed Materials Business increased slightly by 7.4% from RMB864.5 million in 2018 to RMB928.9 million in 2019, mainly attributable to an increase in sales of rare earth coated prestressed products and galvanised prestressed products, partially offset by the decrease in the sales of plain surface prestressed products.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Gross profit and gross profit margin

The following table sets out the respective gross profit and gross profit margin by operating segment:

	2019		2018	
	Gross Profit RMB'000	Gross Profit Margin (%)	Gross Profit RMB'000	Gross Profit Margin (%)
Cable Business	300,335	34.0	190,664	36.8
Prestressed Materials Business	155,763	16.8	135,837	15.7
	456,098	25.2	326,501	23.6

Gross profit increased by 39.7% from RMB326.5 million in 2018 to RMB456.1 million in 2019.

Overall gross profit margin increased from 23.6% in 2018 to 25.2% in 2019, which was primarily due to an increase in sales from the Cable Business which have a higher profit margin. The gross profit margin for the Cable Business decreased from 36.8% in 2018 to 34.0% in 2019 due to a 20% increase in the price of major raw materials as compared to 2018. The gross profit margin for the Prestressed Materials Business increased from 15.7% in 2018 to 16.8% in 2019 mainly due to the increase in sales of rare earth coated prestressed products and galvanised prestressed products.

Distribution and selling expenses

Distribution and selling expenses of the Group increased by 51.2% from RMB19.8 million in 2018 to RMB29.9 million in 2019. The increase in selling and distribution expenses was mainly attributable to the increase in transportation expenses for delivery of bridge cables to customers due to increase in the number of bridge cables projects. Distribution and selling expenses accounted for 1.6% of the total sales revenue for 2019, which is similar to 2018.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

General and administrative expenses

General and administrative expenses of the Group increased by 210.9% from RMB33.3 million in 2018 to RMB103.6 million in 2019. The increase in general and administrative expenses was mainly attributable to the one-off expenses incurred for the preparation and listing of the Shares on the Hong Kong Stock Exchange in May 2019 and the equity settled share-based payments for employee share options granted in June 2019 and October 2019. The following table sets out the breakdown of general and administrative expenses:

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000
Staff costs	16,211	11,830
Travelling and entertainment	4,175	3,614
Depreciation	1,621	1,177
Amortization of prepaid land lease payment	763	763
Audit fee	654	1,079
Legal and professional fee	2,773	206
Listing expenses (Stock Exchange)	12,149	6,245
Equity settled share-based payment	47,688	–
Other taxes	1,487	1,832
Bank charges	8,792	3,129
Other	7,273	3,446
	103,586	33,321

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Research and development expenses

Research and development expenses increased by 48.7% from RMB53.7 million in 2018 to RMB79.9 million in 2019. This increase was primarily attributable to an increase in additional resources to the research and development of new technologies relating to the Cable Business such as extending the lifespan of suspension cable required for the Fenglin Bridge in Guizhou Province and Shenzhen – Zhongshan Link – Lingding Yang Bridge and other cable advancement projects for potential tenders.

Finance costs

Finance costs increased by 23.5% from RMB54.7 million in 2018 to RMB67.5 million in 2019. This increase was primarily attributable to an increase in bank borrowings for working capital throughout the year.

Income Tax Expenses

Income tax expenses increased by 45.3% from RMB23.9 million in 2018 to RMB34.7 million in 2019. The effective tax rate increased from 13.8% in 2018 to 20.5% in 2019. This increase was primarily attributable to non-deductible expenses for income tax purposes such as listing expenses for the listing of the Shares on the Hong Kong Stock Exchange and equity settled share-based payment. If these two non-deductible expenses items were eliminated, the effective tax rate would have an increase of 1.7% from 13.3% in 2018 to 15.1% in 2019.

Profit for the year

As a result of the foregoing, the Group recorded a net profit of RMB134.4 million in 2019, representing a decrease of 9.6% as compared to RMB148.6 million in 2018. The adjusted net profit increased by 25.4% from RMB154.8 million in 2018 to RMB194.2 million in 2019. This increase was mainly due to an increase in gross profit as a result of increased sales of bridge cables from the Cable Business.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Non-HKFRS measure – Adjusted net profit

To supplement the consolidated annual results which are prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), the Board presents the adjusted net profit as an additional financial measure to eliminate the effect of equity settled share-based payment and listing expenses, in which the management does not consider them to be indicative of the operating performance. The terms "adjusted net profit" and "adjusted diluted earnings per share" are not defined under HKFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the profit for the years ended 31 December 2019 and 2018. The Board presents the "adjusted net profit" and "adjusted diluted earnings per share" because they are used by the management to evaluate the operating performance. The Board also believes that these non-HKFRS measures provide useful information to investors and others in understanding and evaluating the annual results of operations in the same manner as the management and in comparing financial results across accounting periods and to those of the peer companies.

The Board compensates for these limitations by reconciling the financial measures to the nearest HKFRS performance measures, all of which should be considered when evaluating the performance. The following table reconciles the adjusted net profit for the years ended 31 December 2019 and 2018 presented to the most directly comparable financial measures calculated and presented in accordance with HKFRS, which is profit for the years ended 31 December 2019 and 2018:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year	**134,350**	148,598
Add:		
Equity settled share-based payment	**47,688**	–
Listing expenses – Hong Kong Stock Exchange	**12,149**	6,245
Adjusted net profit	**194,187**	154,843
Adjusted net profit attributable to owners of the Company	**159,576**	122,096
	RMB	RMB
Adjusted diluted earnings per share (Note)	**0.2202**	0.2035

Note: Adjusted diluted earnings per share is calculated by dividing adjusted net profit attributable to owners of the Company by the weighted average number of ordinary shares with the effect of dilution for the year. Please refer to note 16 of the notes to the consolidated financial statements for the calculation of the weighted average number of ordinary shares with the effect of dilution for the relevant year.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Working Capital

The Group's operations are working capital intensive due to the nature of the industry, which is inherent in the business model. The Group utilises a significant amount of working capital for upfront prepayment to the suppliers to procure raw materials for the products and to provide deposit guarantees (in terms of tender and performance bonds) for the Cable Business. In 2019, the Group mainly funded the cash requirements through a combination of cash and cash equivalents, banking credit facilities, net cash flows from operating activities and proceeds from the Listing. Going forward, in order to fund the Group's increasing working capital needs due to business expansion and the future plans (including capital expenditure for the construction of production facility in Jiujiang and the R&D Centre) as disclosed in the paragraph headed "Use of Proceeds" in this section, the Group will continue to fund its cash requirements using a combination of banking credit facilities, net cash flows from operating activities, other financial instruments which will be available for drawdown within a short period of time, and proceeds from the Listing.

As at 31 December 2019, the Group recorded net current assets amounting to RMB1,580.4 million (31 December 2018: RMB1,100.5 million). As at 31 December 2019, the cash and cash equivalents of the Group amounted to RMB307.6 million (31 December 2018: RMB61.4 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 31 December 2019, was 1.89 (31 December 2018: 1.86). The increase in the current ratio was due to the increase in current assets as a result of the increase in cash and cash equivalents, partially offset by the increase in trade and bills payables and bank borrowings.

Cash flows

Cash flows from operating activities

For the year ended 31 December 2019, the net cash used in operating activities was RMB157.0 million (excluding income tax paid of RMB26.5 million), while profit before income tax was RMB169.0 million. Changes in working capital consisted mainly of (a) an increase of RMB392.5 million in trade, retention and bills receivables because the Group recognised revenue from a significant number of bridge cable projects towards the end of 2019 such as Wujiang Bridge and Taoyuan Jinsha River Bridge; (b) an increase of RMB187.8 million in trade and bills payables as a result of (i) an increase in trade payables for purchases of raw materials and (ii) an increase in bills payables as the Group increased the use of bills payables for working capital purposes in the Cable Business; (c) an increase of RMB175.4 million in prepayments, deposits and other receivables for procuring raw materials for upcoming bridge cable projects and to secure favourable treatment in terms of supply of raw materials; and (d) an increase of RMB123.1 million in inventories due to production for upcoming bridge projects.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Cash flows (Continued)

Cash flows from investing activities

For the year ended 31 December 2019, net cash used in investing activities was RMB175.5 million. This consisted mainly of (a) an increase of RMB88.2 million in financial assets relating to the purchase of USD12,650,000 of investment fund, and (b) an increase of RMB87.1 million in restricted bank deposits mainly due to an increase in bank deposit requirements as a result of an increase in bills payables.

Cash flows from financing activities

For the year ended 31 December 2019, net cash generated from financing activities was RMB601.1 million. This consisted mainly of (i) net proceeds (after deducting listing expenses of RMB12.4 million paid during the year ended 31 December 2019) of RMB497.8 million from the issuance and listing of the shares of the Company on the Hong Kong Stock Exchange; and (ii) net bank borrowings of RMB215.7 million mainly used for working capital purposes.

Bank Borrowings

As at 31 December 2019, the outstanding bank borrowings of the Group was RMB946.8 million (31 December 2018: RMB731.0 million). The increase in bank borrowings was due to increased working capital needs to support the growth, in particular prepayments to suppliers and tenders and performance bonds for projects under the Cable Business. The gearing ratio (calculated by dividing total debt by total equity) as at 31 December 2019, was 49.7% (31 December 2018: 58.7%).

Charge on Assets

As at 31 December 2019, leasehold land and buildings with carrying amount of approximately RMB59.2 million (31 December 2018: RMB62.1 million) have been pledged to secure a banking facility granted to the Group and bank deposits with RMB43.0 million have been pledged to secure a bank borrowing granted to the Group.

As at 31 December 2019, bank borrowings of approximately RMB946.8 million (31 December 2018: RMB731.0 million) were secured by pledge of the Group's certain assets including leasehold land or trade and retention receivables in certain subsidiaries or bank deposits.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Capital structure

As at 31 December 2019, the total share capital of the Company was RMB7,138,000, divided into 811,044,000 Shares of nominal value of HK$0.01 each.

USE OF PROCEEDS

The aggregate net proceeds raised by the Company from the Listing on the Hong Kong Stock Exchange was RMB451.9 million. During the period from the Listing Date and up to the date of this report, the net proceeds had been applied as follows:

Future plans as stated in the Prospectus	Percentage of proceeds adjusted based on the actual net proceeds received Note 1	Use of proceeds adjusted according to the actual net proceeds from the Listing (RMB million)	Actual amount utilised (RMB million)	Expected timeline of full utilisation of the remaining balance
Repayment of banking facilities Note 2	27.2%	122.8	122.8	–
Acquisition of business Note 3	24.2%	109.4	–	First half of 2021
Expansion of production facility for Prestressed Materials Business Note 4	21.1%	95.5	6.1	First half of 2021
Expansion of research and development centre for Cable Business Note 5	13.4%	60.4	–	First half of 2021
Working capital	9.6%	43.4	40	First half of 2021
Purchase of additional production equipment and environmental protection facilities Note 6	4.5%	20.4	–	First half of 2021
Total	100%	451.9	168.9	

USE OF PROCEEDS (Continued)

Notes:

1. The percentage (except for the repayment of banking facilities) were adjusted on a pro rata basis based on the percentage as disclosed in the prospectus of the Company dated 17 May 2019 (the "Prospectus").

2. The repayment of banking facilities of RMB122.8 million was made pursuant to the irrevocable instruction to repay part of a loan. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial Independence" in the Prospectus for details. As of the date of this report, the full amount of RMB122.8 million has been applied.

3. As of the date of this report, the Company has yet to identify an acquisition target. Due to the COVID-19 pandemic situation in China, many business activities have been temporarily suspended which have affected the business performance of potential acquisition targets. The Company will continue to seek for acquisition target(s) that would be beneficial to the Group and will comply in full with all applicable Listing Rules and requirements in due course when any acquisition is undertaken.

4. As of the date of this report, the Company has acquired the land site for the new production facility in Jiujiang, Jiangxi Province and substantially completed the preparation work of the new facility. The Group strives to commence the construction work in the second half of 2020, subject to the government's approval on the construction plan due to the delay caused by the COVID-19 pandemic. The actual timing of the construction schedule would depend on the COVID-19 pandemic situation in China.

5. As of the date of this report, the Company has obtained the construction approval from the relevant government authorities. The Group strives to commence the construction work of the R&D Centre in the second half of 2020, however, the actual timing of the construction schedule would depend on the COVID-19 pandemic situation in China.

6. As at the date of this report, the Company has started its preparation stage in the design of the environmental protection facilities and is pending for government approval on the design plan. The Group strives to commence the construction work in the second half of 2020, however, the actual timing of the construction schedule would depend on the COVID-19 pandemic situation in China.

OUTLOOK AND RECENT DEVELOPMENTS

To echo the "13th-Five Year Plan" promulgated by the People's Republic of China's government in 2017, in recent years, the government places great effort in boosting the investment in transportation infrastructure sector in order to accelerate economic cooperation between regions within China. In line with the plan, the government had also promulgated several directives in relation to the improvement of transportation infrastructure aiming at alleviating poverty in areas with extreme poverty by providing them better access to and from other regions. As such, the growth in the infrastructure construction industry in China is expected to remain strong.

Since December 2019, the National Development and Reform Commission has approved numerous infrastructure construction projects, amounting to approximately RMB270 billion, focusing on high speed rail, transportation infrastructure aiming at fostering communication and the mobility of people between cities and rural areas, in particular, the Western region, the Guangdong Province, Shandong Province, Hebei Province and Fujian Province.

OUTLOOK AND RECENT DEVELOPMENTS (Continued)

Since the beginning of 2020 and up to early March 2020, due to the widespread of the COVID-19 pandemic in China, many cities imposed travel and work restrictions in efforts to curb the spread of COVID-19. As a result, the factories situated in Jiujiang, Maanshan and Xitang have been temporarily closed after the Chinese New Year holiday until mid-February 2020 for the Xitang site, and until the second week of March 2020 for the Jiujiang and Maanshan Site, and the supply of the raw materials has been affected in February 2020. However, as of the date of this report, the factories are fully operational.

Due to the travel and work restrictions in order to curb the widespread of COVID-19 in China since the end of January 2020, many cities in China were under lockdown. As a result, production and sales orders were delayed. Restrictions on the movement of people and goods currently remain in place in certain regions, which requires the Group to adapt certain of the sales and delivery processes. This may affect the overall financial performance in 2020 although the Group cannot quantify the overall impact for the time being. As the Company's business is closely connected with the infrastructure investment in China, the Group envisages that the government directives and policies would present new opportunities to the Company. In 2020, the Company intends to continue to expand the sales in the Cable Business as well as the sales in galvanised prestressed products. With the anticipated completion of the construction of new production facility in Jiujiang, Jiangxi Province in 2020, it is expected that the Company's business scale could be further increased, subject to any future developments relating to COVID-19 and its aftermath.

EXECUTIVE DIRECTORS

Dr. Tang Liang

Dr. Tang Liang (湯亮) ("Dr. Tang"), aged 52, is an executive Director and the chairman of the Board. Dr. Tang was appointed as a Director on 26 April 2017 and re-designated as an executive Director and chairman of the Board on 10 December 2018 respectively. Dr. Tang is primarily responsible for overall management, corporate policy making and strategic planning of the Group's business operations.

Dr. Tang has more than 9 years of experience in Cable Business and 15 years of experience in the Prestressed Materials Business. Prior to joining the Group, Dr. Tang first worked as an officer of the enterprise management office at Baosteel Group Shanghai Ergang Co., Ltd.* (寶鋼集團上海第二有限公司) from July 1988 to March 1993 and then promoted and worked as the deputy director of the enterprise management office from March 1993 to November 1994. He then served as the deputy head of the enterprise administrative division of the Shanghai Municipal Metallurgical Industry Bureau (上海市冶金工業局) from November 1994 to May 1998. From May 1998 to May 2001, Dr. Tang served as an officer of the China Association of Social Workers* (中國社會工作聯合會), previously known as China Union of Social Workers* (中國社會工作協會). Thereafter, Dr. Tang served as the general manager of Innovation Material Research Institute from May 2001 to April 2004 and since April 2004, Dr. Tang has served as the president of Ossen Group Co., Ltd.* (奧盛集團有限公司) ("Ossen Group PRC").

Dr. Tang currently holds positions at the subsidiaries of the Group as follows:

Name of subsidiaries	Position	Duration of Tenure
Ossen Group (Asia) Co., Limited	Director	February 2002 – present
Topchina Development Group Limited	Director	November 2004 – present
Ossen (Jiujiang) Innovation Materials Co., Ltd ("Ossen (Jiujiang)")	Director	April 2005 – present
Ossen Innovation Co., Ltd ("Ossen Innovation")	Chairman of the board of directors	August 2010 – present
Ossen Innovation Materials Co., Ltd	Chairman of the board of directors	December 2007 – present
Ossen Innovation Materials Group Co., Ltd	Director	April 2010 – present
Shanghai Pujiang Cable Co., Ltd. ("Shanghai Pujiang")	Chairman of the board of directors	March 2012 – present
Ossen Group Co., Limited	Director	September 2016 – present
Acme Innovation Limited	Director	May 2018 – present
Top Innovation Enterprises Limited	Director	May 2018 – present
Shanghai Xiong Ao Enterprise Management Co., Ltd.	Chairman of the board of directors	June 2018 – present
International Superconductor Holding Limited	Director	August 2019 – present
Chao Ao Investment Shanghai Co. Ltd.	Director	September 2019 – present

EXECUTIVE DIRECTORS (Continued)

Dr. Tang has also been appointed as the chairman of the board of directors of Ossen Innovation, a company listed on NASDAQ (stock code: OSN) since August 2010. Save as disclosed, Dr. Tang did not hold directorships in any other public listed companies in the last three years.

Dr. Tang previously received awards and held or currently holds positions from or at various organisations as follows:

Name of organisations	Award	Year of award
CPC Shanghai Municipal Committee Organisation Department* (中共上海市委組織部) and Shanghai Human Resources and Social Security Bureau* (上海市人力資源和社會保障局)	Shanghai Leader for the year of 2009* (2009年上海領軍人才)	January 2010
United Front Work Department of the Central Committee of the Communist Party of China (中國共產黨中央委員會統一戰綫工作部) and the All-China Federation of Industry and Commerce (中華全國工商業聯合會)	Top 100 Outstanding Chinese Private Entrepreneurs at the 40th Anniversary of China's Reform and Opening-up* (改革開放40年100位最傑出的人物)	October 2018

Name of organisations	Position	Duration of Tenure
National Committee of the Chinese People's the Political Consultative Conference (中國人民政治協商會議全國委員會)	Member of the 12th National Committee of the Chinese People's of the Political Consultative Conference	March 2013 – March 2018
All-China Chamber of Industry and Commerce (中國民間商會)	Vice President	November 2017 – November 2022
National People's Congress of the PRC (中華人民共和國全國人民代表大會)	Member of the 13th National People's Congress	March 2018 – March 2023

Dr. Tang graduated from Shanghai University in the PRC, previously known as Shanghai University of Technology, with a Bachelor's degree in Metallurgy and Materials Engineering (Metal Pressure Processing discipline) in July 1988. He then obtain a Master of Business Administration degree jointly organised by Peking University in the PRC and Fordham University in the USA in May 2002, and obtained a Doctoral degree in World Economics from East China Normal University in the PRC in July 2007.

EXECUTIVE DIRECTORS (Continued)

Mr. Zhou Xufeng

Mr. Zhou Xufeng (周旭峰) ("Mr. Zhou"), aged 54, is an executive Director and chief executive officer of the Company. Mr. Zhou was appointed as a Director on 12 November 2018 and re-designated as an executive Director and chief executive officer of the Company on 10 December 2018, respectively. Mr. Zhou is primarily responsible for overall management, financial operation, internal management of the Group.

Mr. Zhou has more than 26 years of experience in the bridge cable industry. Prior to joining the Group, Mr. Zhou worked in Shanghai Machine Tools Plant Company Limited*(上海機床廠有限公司), previously known as Shanghai Machine Tools Plant*(上海機床廠) as an office manager from September 1989 to May 2004.

From May 2004 to November 2010, he served as the chief executive officer of Ossen Group PRC and since May 2004, he has been its director. Mr. Zhou did not hold directorships in any other public listed companies in the last three years. Mr. Zhou previously held or currently holds positions at the subsidiaries of the Group as follows:

Name of subsidiaries	Position	Duration of Tenure
Shanghai Pujiang	Director	September 2010 – present
	General manager	December 2010 – present
	Chairman of the board of directors	December 2010 – March 2012
Zhejiang Pujiang Cable Co., Ltd.	Director	December 2010 – May 2012
Shanghai Pujiang Cable Installation Engineering Co., Ltd.	Director and general manager	July 2011 – March 2012

Mr. Zhou graduated from Shanghai Television University with a diploma in Business Administration in July 2005.

EXECUTIVE DIRECTORS (Continued)

Ms. Zhang Weiwen

Ms. Zhang Weiwen (張偉文) ("Ms. Zhang"), aged 53, was appointed as a Director on 12 November 2018 and re-designated as an executive Director of the Company on 10 December 2018. Ms. Zhang is primarily responsible for overseeing the support operations and internal administration of the Group.

Ms. Zhang has more than 16 years of experience in administrative management. Prior to joining the Group, Ms. Zhang worked as a secretary to the general manager of Shanghai Ezaki Glico Foods Co., Ltd. (上海江崎格力高食品有限公司), previously known as Shanghai Glico Foods Co., Ltd. (上海格力高日清食品有限公司), from October 1997 to November 1999. She then worked as an executive assistant to the general manager of SINKO Air Conditioning Equipment Co., Ltd. (上海新晃空調設備股份有限公司) from December 1999 to July 2010. Since November 2010, she has then been employed as an Administrative Manager of Ossen Group PRC. She joined the Group as and has been director of Shanghai Pujiang, a subsidiary of the Company, since December 2010.

Ms. Zhang obtained a Degree of Master in Fisheries Science from Tokyo University of Fisheries in March 1994. Ms. Zhang did not hold directorships in any other public listed companies in the last three years.

Mr. Ni Xiaofeng

Mr. Ni Xiaofeng (倪曉峰) ("Mr. Ni"), aged 55, was appointed as a Director on 12 November 2018 and re-designated as an executive Director of the Company on 10 December 2018. Mr. Ni is primarily responsible for overall management, financial operation, internal management of the Group.

Mr. Ni has more than 21 years of experience in the prestressed materials industry. Prior to joining the Group, Mr. Ni worked at Shanghai Machinery Manufacture Art And Craft Institute Company Limited*(上海市機械製造工藝研究所有限公司), previously known as Shanghai Machinery Manufacture Art And Craft Institute*(上海機械製造工藝研究所), as an engineer specialising in metal materials and heat processing in November 1993 and was later promoted as a production manager from January 1995 to October 1999.

From June 2001 to December 2010, Mr. Ni worked as the technical director of Innovation Material Research Institute. Since December 2007, Mr. Ni has been appointed as a director of Ossen Innovation Materials Co., Ltd., a subsidiary of the Company. He also served as its deputy general manager from December 2007 to January 2011, and was promoted to its general manager since January 2011. Since July 2009, Mr. Ni has also been appointed as a director of Ossen (Jiujiang), a subsidiary of the Company. Mr. Ni did not hold directorships in any other public listed companies in the last three years.

Mr. Ni has remarkable achievements and accomplishments in respect of his specialisation in metal materials engineering. Mr. Ni received the Shanghai Technology Leader*(上海市科技標兵) award in October 2008. He also participated in the editing and reviewing of several practical guidebooks, including "Simplified Aluminium Alloy Manual" (《簡明鋁合金手冊》), and "Metallographic Analysis Theory and Techniques《金相分析原理及技術》). His essays about manufacturing of zinc-coated strands for long-span cable-stay bridges and the research and development of zinc-coated wires for cables of large-span bridges were awarded the second prize (二等獎) and the first prize (一等獎) by China Metal Industry Techniques Exchange Society (全國金屬製品行業技術信息交流會) in May 2011 and 2012 respectively.

Mr. Ni graduated from University of Science And Technology Beijing with a Bachelor's degree in Metal Materials Science and Engineering in December 1989.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Pan Yingli

Ms. Pan Yingli (潘英麗) ("Ms. Pan"), aged 64, was appointed as an independent non-executive Director on 24 April 2019. Ms. Pan is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Ms. Pan is responsible for providing independent judgement on the Group's strategy, performance, resources and standard conduct.

Ms. Pan worked as a lecturer in Economics at East China Normal University from July 1984 to December 1990. She then worked as its associate professor in Finance from January 1991 to December 1993 and has been promoted to its professor in Finance from January 1994 to October 2005, during which Ms. Pan also served as a tutor of doctorate candidates in Finance from January 1996 to October 2005 and has been appointed as its tenured professor since December 2002.

Since November 2005, Ms. Pan has been a professor in Finance and tutor of doctorate candidates in Finance at Antai College of Economics and Management of Shanghai Jiaotong University. Since March 2011, Ms. Pan has also served as the director of Research Centre for Modern Finance at Shanghai Jiaotong University. Ms. Pan has also served as the chief expert of Pan Yingli Studio of the Decision-making Consultation Research Base of Shanghai Municipal Government*(上海市政府決策諮詢研究基地潘英麗工作室) since June 2012.

Prior to joining the Group, Ms. Pan was appointed as an independent supervisor of China Shipping Container Lines Company limited, a company listed on Hong Kong Stock Exchange (stock code: 2866) from March 2004 to June 2013. Ms. Pan was an independent non-executive director of China Merchants Bank, a company listed on Hong Kong Stock Exchange (stock code: 3968) from November 2011 to November 2018. She has been appointed as an independent director of Ossen Innovation, a company listed on NASDAQ (stock code: OSN), since August 2010. She has also been appointed as an independent non-executive director of Postal Savings Bank of China Co., Ltd., a company listed on Hong Kong Stock Exchange (stock code: 1658), since December 2019. Save as disclosed, Ms. Pan did not hold directorships in any other public listed companies in the last three years.

Ms. Pan obtained a Bachelor's degree in Economics from East China Normal University in the PRC in September 1982, a Master's degree in Economics from Shanghai University of Finance and Economics in the PRC in April 1985, and a Doctoral degree in Economics from East China Normal University in the PRC in September 1992.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Chen Dewei

Mr. Chen Dewei (陳德偉) ("Mr. Chen"), aged 64, was appointed as an independent non-executive Director on 24 April 2019. Mr. Chen is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Chen is responsible for providing independent judgement on the Group's strategy, performance, resources and standard conduct.

Prior to joining the Group, Mr. Chen worked as an assistant engineer of Shanghai Municipal Engineering Design General Institute (Group) Company Limited* (上海市政工程設計研究總院(集團)有限公司) from January 1983 to September 1983. He then joined Tongji University as a lecturer and a researcher in Bridge Engineering in May 1986 to January 1994. He worked as an associate professor in Bridge Engineering at Tongji University from January 1994 to June 2003. Since June 2003, he has been a professor and a tutor of doctorate candidates in Bridge Engineering at Tongji University. Mr. Chen joined the Group as an independent director of Shanghai Pujiang, a subsidiary of the Company, since April 2014. Mr. Chen did not hold directorships in any other public listed companies in the last three years.

Mr. Chen graduated from Tongji University with a Doctoral degree in engineering in March 1991.

Mr. Zhang Bihong

Mr. Zhang Bihong (張弼弘) ("Mr. Zhang"), aged 44, was appointed as the independent non-executive director of the Company on 24 April 2019. Mr. Zhang is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Zhang is responsible for providing independent judgement on the Group's strategy, performance and financial operation.

Mr. Zhang has more than 16 years of experience in the areas of auditing and taxation. He is currently a certified tax agent in China as accredited by China Certified Tax Agents Association in June 2000. He is also a certified accountant in China as accredited by the Chinese Institute of Certified Public Accountants in December 2003. Prior to joining the Group, Mr. Zhang served as a senior manager at Inner Mongolia Zhong Tian Hua Zheng Accounting Firm (內蒙古中天華正會計師事務所) from September 1995 to September 2005 and was a senior manager at BDO-Reanda Xin Public Accountants (利安達會計師事務所) from October 2005 to July 2008. He was a partner of Zhong Cheng Xin An Rui (Beijing) Accounting Firm (中誠信安瑞(北京)會計師事務所) from August 2008 to October 2009. Mr. Zhang did not hold directorships in any other public listed companies in the last three years.

Mr. Zhang graduated from Inner Mongolia Agricultural College with a diploma in economics (accounting) in July 1995.

SENIOR MANAGEMENT

Mr. Daniel Ling

Mr. Daniel Ling (凌東鷹) ("Mr. Ling"), aged 48, joined the Group in 2019 as the Chief Financial Officer, he oversees finance, investments and investor relations functions.

Mr. Ling has over 25 years of experiences in financial and risk management, having served in various roles at the Singapore Exchange, PricewaterhouseCoopers and Bridgewater Associates; prior to joining the Group, Mr. Ling served as Partner and Chief Risk Officer at ShoreVest Capital.

Mr. Ling graduated cum laude with a Bachelor of Arts degree in Mathematics from Dartmouth College in 1994, and received his Master of Business Administration degree with Honours from University of Chicago Booth School of Business in 2002.

Mr. Luo Guoqiang

Mr. Luo Guoqiang (羅國强) ("Mr. Luo"), aged 66, joined the Group in September 1994 and has been the deputy general manager and the chief engineer of Shanghai Pujiang since then. Mr. Luo is responsible for technology development, design and advancement, as well as quality control and maintenance of products of Shanghai Pujiang.

Mr. Luo has more than 30 years of experience in and the bridge industry. Prior to joining the Group, Mr. Luo worked as an engineer at Shanghai Cable Research Institute* (上海電纜研究所) from August 1982 to July 1994.

Mr. Luo has obtained a number of professional qualifications and held or currently holds positions in the various organisations as follows:

(i) an Engineer, Senior Engineer and Professor-grade Senior Engineer as accredited by the National Mechanical Industry Bureau (國家機械工業局), previously known as Ministry of Mechanical Industry of the People's Republic of China (中華人民共和國機械工業部), in January 1993, July 1995 and June 1999 respectively;

(ii) a council member of the 6th and 7th committee of the Bridge and Structural Engineering Sub-division of the China Civil Engineering Society (中國土木工程學會橋樑及結構工程分會) appointed in December 2002 and June 2006 respectively, as well as an executive council member of its 8th committee appointed in June 2010;

(iii) a council member of the 4th, 5th, 6th and 8th Wind Engineering Committee of the Bridge and Structural Engineering Sub-division of the China Civil Engineering Society (中國土木工程學會橋樑及結構工程分會風工程委員會) appointed in October 2004, October 2005 and August 2009 and August 2017 respectively;

(iv) a council member of the 5th and 6th committee of the Bridge and Structural Engineering Sub-division of the China Highway and Transportation Society (中國公路學會橋樑和結構工程分會) appointed in January 2001 and January 2005, and an executive council member of its 7th and 8th committee appointed in June 2011 and June 2016 respectively; and

SENIOR MANAGEMENT (Continued)

(v) currently an associate member of Cable Stayed Bridge Committee of the Post-Tensioning Institute.

Mr. Luo obtained a Bachelor member of Cable Stayed Bridgeeering from Shenyang University of Technology, previously known as Shenyang Electromechanical School (瀋陽機電學院), in the PRC in July 1982.

Mr. Xu Haoming

Mr. Xu Haoming (徐浩明) ("Mr. Xu"), aged 64, joined the Group in November 1989 and has been the deputy general manager of Shanghai Pujiang since then. Since December 2007, Mr. Xu has been approved as a Supervisor of Shanghai Pujiang. Since September 2012, Mr. Xu has also been appointed as a director of Shanghai Pujiang. Mr. Xu is responsible for overseeing sales and marketing function of Shanghai Pujiang.

Mr. Xu has more than 30 years of experience in the bridge cable industry. Prior to joining to the Group, Mr. Xu worked as an auditor at Shanghai Cable Research Institute* (上海電纜研究所) from March 1981 to November 1989.

Mr. Xu was accredited as Senior Engineer by the National Mechanical Industry Bureau (國家機械工業局), previously known as the Ministry of Mechanical Industry of the Peoplestry Bureau (中華人民共和國機械工業部), in April 1998.

Mr. Xu graduated from Shanghai Television University with a diploma in Auditing in July 1989.

Mr. You Shengyi

Mr. You Shengyi (游勝意) ("Mr. You"), aged 61, joined the Group as deputy general manager of Ossen (Jiujiang) from April 1994 to April 2005. Since May 2005, Mr. You worked as the chief engineer of Ossen (Jiujiang). Mr. You is responsible for technology research and development of Ossen (Jiujiang).

Mr. You has more than 20 years of experience in the prestressed materials industry, in which he has made remarkable achievements. Mr. You participated in editing several National Standards of the PRC (中華人民共和國國家標準), including "Hot-dip galvanised steel wires for bridge cables" (《橋樑纜索用熱鍍鋅鋼線》), "Hot-dip galvanised steel strand for prestress" (《預應力熱鍍鋅鋼絞絲》) and "High strength steel wire strand for building structures" (《建築結構用高強度鋼絞線》) issued by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and the Standardisation Administration of the PRC (中國國家標準化管理委員會) in August 2008, December 2016 and February 2017 respectively. Mr. You is also one of the editors of International Organization for Standardization (ISO) 19203:2018 "Hot-dip galvanized and zinc-aluminium coated high tensile steel wire for bridge cables – Specifications" (《橋樑纜索用熱鍍鋅及鍍鋅合金鋼絲－標準》), which was published in May 2018. Mr. You also received a special subsidy from the State Council of the PRC in December 2016 for his outstanding contribution to the manufacturing industry. Mr. You was awarded the National May 1st Labour Medal (全國五一勞動獎章) by the Chinese National Federation of Trade Unions (中華全國總工會) in April 2019.

SENIOR MANAGEMENT (Continued)

Mr. You was accredited as a Professor-grade Senior Engineer by the Job Title Office of Jiangxi Province (江西省職稱工作辦公室), the PRC in May 2009. Mr. You also was also appointed as a Committee of the 7th National Council (第七屆全國理事會理事) of China Innovation Commission (中國發明協會) in April 2018.

Mr. You obtained a Bachelor's degree in Metallurgy from Jiangxi University of Science and Technology (江西理工大學), previously known as Jiangxi Metallurgy Institute*(江西冶金學院) in the PRC in August 1982.

Mr. Li Gang

Mr. Li Gang (李剛) ("Mr. Li"), aged 56, joined the Group in July 1991 and has been the deputy general manager of Shanghai Pujiang since then. Mr. Li is responsible for production management of Shanghai Pujiang.

Mr. Li has more than 30 years of experience in the bridge cable industry. Prior to joining the Group, Mr. Li worked as an engineer at Shanghai Cable Research Institute* (上海電纜研究所) from July 1984 to July 1991.

Mr. Li was accredited as a Senior Engineer by the then Ministry of Mechanical Industry of the People's Republic of China (中華人民共和國機械工業部), later known as the National Mechanics and Electronics Industry Bureau (機械電子工業局), in April 1999.

Mr. Li obtained a Bachelor's degree in Production Process Automation from East China University of Science and Technology, previously known as East China Chemical Industry Institute (華東化工學院) in the PRC in June 1992.

COMPANY SECRETARY

Ms. Choy Yee Man (蔡綺文) ("Ms. Choy"), aged 52, was appointed as the Company's company secretary on 28 November 2018. Ms. Choy is a director of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

Ms. Choy has over 25 years of experience in the corporate services field. She has been providing professional corporate services to Hong Kong listed companies and real estate investment trusts (including dual listed companies and dual listed real estate trust) as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring to dissolution of companies. Ms. Choy is currently the joint company secretary of two companies listed on The Stock Exchange of Hong Kong Limited, namely, Bestway Global Holding Inc. (榮威國際控股有限公司) (stock code: 3358) and A-Living Services Co., Ltd.* (雅居樂雅生活服務股份有限公司) (stock code: 3319). She is also currently the company secretary of Yangtze Optical Fibre and Cable Joint Stock Limited Company* (長飛光纖光纜股份有限公司) (stock code: 6869).

Ms. Choy is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly "The Institute of Chartered Secretaries and Administrators") in the United Kingdom. Ms. Choy holds a bachelor of arts degree in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong).

* *for identification purposes only*

DIRECTORS AND CHIEF EXECUTIVE OFFICER

The directors and chief executive officer of the Company during the year and up to the date of this report are as follows:

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(CEO)*
Ms. Zhang Weiwen
Mr. Ni Xiaofeng

Independent Non-Executive Directors

Ms. Pan Yingli
Mr. Chen Dewei
Mr. Zhang Bihong

Biographical details of the Directors are set out in "Board of Directors and Senior Management" on pages 24 to 32 of this report.

None of the directors have a service contract with the Company which is not determinable by the Company within one year without the payment of compensation.

The Company received confirmation of independence from the Independent Non-executive Directors pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"). The Company considered all the Independent Non-executive Directors are independent.

PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Group is the largest provider of bridge cables for the construction of super-long-span bridges in China and one of the leading prestressed materials manufacturers in China. It is principally engaged in the manufacture of cables for construction of bridges and prestressed materials for various infrastructure construction. Please refer to page 7 for business review of the Group.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the ended 31 December 2019 is set out in note 33 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the year are set out in note 34 to the consolidated statement of changes in equity.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 18 to the consolidated financial statements.

BANK BORROWINGS

Details of bank borrowings of the Group are set out in note 30 to the consolidated financial statements.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted share option schemes as incentive to eligible employees, details of the schemes are set out in the paragraph headed "Share Option Scheme" below.

RETIREMENT SCHEME

Employees of the Company's subsidiaries in the PRC and Hong Kong are required to participate in defined contribution retirement plans. Please refer to note 12 to the consolidated financial statements for the details of the retirement contributions.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2019, so far as known to the Directors, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules (including those they are taken or deemed to have under such provisions of the SFO) were as follows:

(i) Interest in shares of the Company

Name of the Director	Capacity	Number of Shares interested[1]	Approximate shareholding percentage
Dr. Tang Liang ("Dr, Tang")	Interest of a controlled corporation[2]	509,203,064 (L)	62.78%
Mr. Zhou Xufeng	Beneficial owner	2,520,000 (L)	0.31%
Mr. Ni Xiaofeng	Beneficial owner	1,300,000 (L)	0.16%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. The 509,203,064 Shares are held by Elegant Kindness Limited ("Elegant Kindness") which is in turn wholly owned by Dr. Tang. Dr. Tang is deemed or taken to be interested in all the Shares held by Elegant Kindness Limited for the purposes of SFO.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(ii) Interest in shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares in the associated corporation	Approximate shareholding percentage
Dr. Tang	Elegant Kindness	Beneficial owner	50,000	100%
	Shanghai Xiong Ao Investment Co., Ltd. (formerly "Shanghai Xiong Ao Enterprise Management Co., Ltd.")	Beneficial owner	4,999,995	1%
	Shanghai Pujiang Cable Co., Ltd.	Beneficial owner	2,500,000	0.5%
	Shanghai Push Medical Device Co., Limited	Beneficial owner	21,000,000	42.0%

Save as disclosed above, as of 31 December 2019, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 December 2019, as far as is known to the Directors, the following person (not being the Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares interested[(1)]	Approximate shareholding percentage
Elegant Kindness	Beneficial owner	509,203,064 (L)	62.78%

Note:

1. The letter "L" denotes the entity/person's long position in the Shares.

Save as disclosed above, and as of 31 December 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Group has adopted a share option scheme (the "Scheme" or "Share Option Scheme") pursuant to the shareholders' written resolution passed on 24 April 2019. As of 31 December 2019, an aggregate of 42,000,000 share options were granted under the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme was to provide incentives or rewards to certain eligible persons for their contribution to the growth of the Group or any entity in which the Group holds any equity interests ("Invested Entity") and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

SHARE OPTION SCHEME (Continued)

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the Participants

The Board shall be entitled but shall not be bound at any time and from time to time within the period of ten years from the date on which the Share Option Scheme becomes effective to make offers to: (i) any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of the Group and any Invested Entity; (ii) any non-executive Director (including independent non-executive Directors) of the Group or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer, business or joint venture partner, franchisee, contractor, agent or representative of our Group or any Invested Entity; (v) any consultant, adviser, manager, officer or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to the Group or any Invested Entity; and (vi) any direct or indirect Shareholder of the Group or any Invested Entity (collectively the "Participants"), as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, to take up options to subscribe for Shares, being a board lot for dealing in Shares on the Hong Kong Stock Exchange or an integral multiple thereof, as the Board may determine at a price calculated in accordance with Share Option Scheme.

3. Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date (the "Scheme Mandate Limit") unless the Company seeks the approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit in accordance with the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Group shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

The Company may at any time refresh such limit, subject to compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time.

4. Maximum entitlement of each participant

Unless approved by the Shareholders in the manner set out in the Share Option Scheme, no participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to and including the date of the such further grant would exceed 1% of the Shares in issue as at the date of such further grant.

SHARE OPTION SCHEME (Continued)

5. Offer period

An offer of the grant of option may be accepted by a participant within 21 business days from the date of the offer of grant of options.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than 10 years from the date of grant of the option and the Board may at its discretion determine the minimum period for which the option has to be held or restrictions before the exercise of the subscription right attaching to an option.

6. Subscription price

The subscription price for Shares in respect of any option granted under the Share Option Scheme shall be such price as determined by the Board, in its absolute discretion, but in any case shall not be less than the highest of:

(i) the closing price per share as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;

(ii) the average closing price per share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share on such date of grant,

provided that for the purpose of calculating the subscription price, where the Shares have been listed on the Hong Kong Stock Exchange for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before such listing. Upon acceptance of the option, the grantee shall pay HK$1 to our Company by way of consideration for the grant.

7. Remaining life of the Share Option Scheme

Subject to the fulfilment of the conditions of the Share Option Scheme and the earlier termination by Shareholders, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 28 May 2019, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

SHARE OPTION SCHEME (Continued)

Details of the movement in options granted under the Scheme during the period after the Listing Date and up to 31 December 2019 (the "Reporting Period") were as follows:

Grantee	Date of grant	Number of outstanding share options as at the date of Listing	Number of share options granted during the Reporting Period	Number of share options exercised during the Reporting Period	Number of outstanding share options as at 31 December 2019	Exercise period	Exercise price per share
Director							
Mr. Zhou Xufeng	3 June 2019	–	630,000	–	630,000	3 June 2022 to 2 June 2029	HK$2.80
			630,000		630,000	3 December 2022 to 2 June 2029	HK$2.80
			630,000		630,000	3 June 2023 to 2 June 2029	HK$2.80
			630,000		630,000	3 December 2023 to 2 June 2029	HK$2.80
Mr. Ni Xiaofeng	3 June 2019	–	325,000	–	325,000	3 June 2022 to 2 June 2029	HK$2.80
			325,000		325,000	3 December 2022 to 2 June 2029	HK$2.80
			325,000		325,000	3 June 2023 to 2 June 2029	HK$2.80
			325,000		325,000	3 December 2023 to 2 June 2029	HK$2.80
Others							
Other employees in aggregate	3 June 2019	–	7,045,000	–	7,045,000	3 June 2022 to 2 June 2029	HK$2.80
			7,045,000		7,045,000	3 December 2022 to 2 June 2029	HK$2.80
			7,045,000		7,045,000	3 June 2023 to 2 June 2029	HK$2.80
			7,045,000		7,045,000	3 December 2023 to 2 June 2029	HK$2.80
	23 October 2019	–	2,500,000	–	2,500,000	23 October 2022 to 22 October 2029	HK$4.092
			2,500,000		2,500,000	23 April 2023 to 22 October 2029	HK$4.092
			2,500,000		2,500,000	23 October 2023 to 22 October 2029	HK$4.092
			2,500,000		2,500,000	23 April 2024 to 22 October 2029	HK$4.092
			42,000,000	–	42,000,000		

None of the shares granted under the Scheme were exercised, cancelled or lapsed during the period after the Listing Date and up to 31 December 2019.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2019, the total number of employees in the Group was 461 (31 December 2018: 425). The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance.

CONNECTED TRANSACTION

On 29 August 2019, Shanghai Pujiang Cable Co. Ltd. (a non-wholly owned subsidiary of the Company) ("Shanghai Pujiang"), as purchaser entered into an equity transfer agreement with, Ossen Group Co. Ltd. ("Ossen Group"), as vendor, pursuant to which, Ossen Group agreed to sell and Shanghai Pujiang agreed to purchase 26% equity interest in Shanghai Push Medical Device Technology Co., Limited (now known as Shanghai Push Medical Device Co., Limited) ("Shanghai Push") for a consideration of RMB104,000,000. As Dr. Tang directly and indirectly held the controlling interest of Ossen Group as at the date of the transaction, Ossen Group was a connected person of the Company.

Shanghai Push is principally engaged in developing the technology of, manufacturing and sales of medical equipment, specializing in heart-related diseases, its products are marketed and sold under the PushMed® trademark. For more details about the transaction, please refer to the announcement of the Company dated 30 August 2019.

Save as disclosed in the above, during the Reporting Period, there was no other connected transaction or continuing connected transaction of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

DEED OF NON-COMPETITION

On 11 May 2019, Dr. Tang Liang and Elegant Kindness Limited, a corporation controlled by Dr. Tang Liang and a controlling shareholder of the Company (the "Controlling Shareholders") have entered into a deed of non-competition in favour of the Company (for itself and as trustee for and on behalf of its subsidiaries) (the "Deed of Non-Competition"). Each of the Controlling Shareholders has undertaken that he/it will not, and will use his/its best endeavours to procure his/its close associates (as defined in the Listing Rules) and any company directly or controlled by the Controlling Shareholder not to conduct any business which directly or indirectly, competes or is likely to compete with the business of the Company or any of its subsidiaries, including but not limited to the Cable Business and the Prestressed Materials Business.

For details of the Deed of Non-Competition, please refer to the Company's prospectus. The independent non-executive Directors have reviewed the compliance of the Controlling Shareholders with the Deed of Non-Competition and consider that the Deed of Non-Competition has been complied with during the period from the Listing Date to 31 December 2019. Each of Controlling Shareholders has provided the Company with a confirmation regarding his/its compliance with the Deed of Non-Competition.

MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

Save as disclosed in the paragraph headed "Connected Transaction" above, the Group did not have any other material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries and associated companies, or significant investments during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report and the future plans set out in the paragraph headed "Use of Proceeds" above, the Company has no plan for any material investments or additions of capital assets as at the date of this report.

EVENTS SUBSEQUENT TO 31 DECEMBER 2019

There were no other significant events occurred subsequent to 31 December 2019 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company since the Listing Date and up to 31 December 2019.

PERMITTED INDEMNITY PROVISIONS

As of date of this report, the Group has purchased appropriate liability insurance for all Directors to minimise their risks arising from the performance of their duties. The permitted indemnity provisions are stipulated in such directors liability insurance in respect of the liabilities and costs associated with the potential legal proceedings that may be brought against such Directors.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the paragraph headed "Connected Transaction" above, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest (direct or indirect), subsisted at the end of the financial year or at any time during the year ended 31 December 2019.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of 31 December 2019, none of the Company, controlling Shareholders of the Company or the companies under the same controlling Shareholders with the Company was a party to any arrangement to entitle the Company's Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

None of the Directors and their associates directly or indirectly has any interest in the businesses which constitute or may constitute competition with the business of the Company.

DONATIONS

In 2019, the Group did not make any donations to charity.

EQUITY-LINKED AGREEMENT

In 2019, the Company and its subsidiaries did not enter into any agreements in relation to equity-linked products or participate in any arrangement to purchase equity-linked financial products.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this report, the Company has maintained sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There is no arrangement of pre-emptive rights in accordance with the laws of the Cayman Islands (place of incorporation of the Company) and the requirements of the Articles of Association of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationship with its employees, customers and suppliers so as to meet its current or long-term business goals. For the year ended 31 December 2019, there were no material and substantive disputes between the Group and its employees, customers and suppliers.

MAJOR CUSTOMERS AND SUPPLIERS (Continued)

During the Reporting Period, the total purchases from the top five suppliers of the Company accounted for 83.7% of the total cost of sales of the Group, of which the purchases from the largest supplier accounted for 41.4% of the total cost of sales of the Group.

The total sales revenue to the five largest customers of the Company in 2019 accounted for 20.6% of the total sales revenue of the Group, of which sales to the largest customers accounted for 11.3% of the total sales revenue of the Group.

None of the Directors, their close associates or Shareholders, which, to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company, has any interest in the above five largest customers or five largest suppliers.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out in the financial summary on page 6 of this annual report. The summary does not form part of the audited consolidated financial statements.

AUDITORS

The consolidated financial statements in this annual report have been audited by BDO Limited. There has been no change in the auditors of the Company during the year ended 31 December 2019. A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditors of the Company.

CLOSURE OF REGISTER OF MEMBERS

It is proposed that the AGM of the Company will be held on 24 June 2020. The register of members of the Company will be closed from 19 June 2020 to 24 June 2020, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 18 June 2020.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B of the Listing Rules, the change in information of Director subsequent to the date of 2019 interim report is as follow:

Ms. Pan Yingli has been appointed as an independent non-executive director of Postal Savings Bank of China Co., Ltd. (stock code of Hong Kong Stock Exchange: 1658) with effect from 23 December 2019.

On behalf of the Board
Dr. Tang Liang
Chairman and Executive Director
Shanghai
19 April 2020

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (collectively the "Group") to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices.

The shares of the Company were listed on the Hong Kong Stock Exchange on 28 May 2019. Therefore, the code provisions as set out in the CG Code were not applicable to the Company prior to the Listing Date. The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code throughout the period from the Listing Date up to the date of this report.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and the relevant employees of the Company. Specific enquiry has been made to all Directors and all of the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2019.

During the period from the Listing Date and up to 31 December 2019, the Company is not aware of any incident of non-compliance of the Model Code by the relevant employees.

THE BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board currently comprises seven Directors, consisting of four Executive Directors and three Independent Non-executive Directors ("INEDs"). The composition of the Board is as follows:

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(Chief Executive Officer)*
Ms. Zhang Weiwen
Mr. Ni Xiaofeng

Independent Non-executive Directors

Ms. Pan Yingli
Mr. Chen Dewei
Mr. Zhang Bihong

The biographical information of the Directors are set out in the section headed "Board of Directors and Senior Management" on pages 24 to 32 of this annual report. None of the members of the Board is related to one another.

The Board, led by its Chairman, is responsible for approving and monitoring the Group's overall strategies and policies, approving annual budgets and business plans, evaluating the performance of the Group, supervising the management and ensure that sound internal control and risk management systems are in place. The Chairman also leads the Board to ensure that it acts in the best interests of the Company and Shareholders. To facilitate effective management, the Board has delegated certain functions to various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these Board committees operates under clearly defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Hong Kong Stock Exchange and the Company. The Chairmen of the Board committees will report to the Board on issues discussed and concluded at the respective committee meetings.

THE BOARD OF DIRECTORS (Continued)

The Chairman ensures that the Board works effectively and objectively and all decisions are made in the interest of the Group and all key and appropriate issues are discussed by the Board members in a timely and effective manner. If a Director or his/her associate has a conflict of interest in a matter to be considered by the Board, he/she must declare such interest at the Board meeting. If the Board determines such interest to be material, the relevant Director must abstain from voting and shall not be counted in the quorum present at such Board meeting.

All Directors, including INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The INEDs are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

Chairman and Chief Executive Officer

The Board delegates the day-to-day operational responsibilities to the executive management team under the leadership of the Chairman, together with the Chief Executive Officer.

The Chairman of the Board is Dr. Tang Liang ("Dr. Tang"), and he is primarily responsible for overall management, corporate policy making and strategic planning of the Group's business operations. The Chief Executive Officer of the Company is Mr. Zhou Xufeng ("Mr. Zhou"), and he is primarily responsible for overall management, financial operation and internal management of the Group.

Independent-Non Executive Directors

During the period from the Listing Date to the date of this report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three INEDs, representing one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received written confirmations of independence from each of Ms. Pan Yingli, Mr. Chen Dewei and Mr. Zhang Bihong, being the INEDs, as required under Rule 3.13 of the Listing Rules, and considered that each of them has satisfied the independence criteria set out in Rule 3.13 of the Listing Rules.

THE BOARD OF DIRECTORS (Continued)

Appointment and Re-election of Directors

Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that any Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and be subject to re-election at such meeting.

Each of the Directors is engaged on a service agreement (for Executive Director) or a letter of appointment (for INED) for a term of three years and is subject to provision for retirement by rotation and re-election at annual general meeting pursuant to the Articles of Association of the Company.

Attendance Records of Directors and Board Committee Members

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the period from the Listing Date to the date of this report, nine Board Meetings were held and all Directors attended the Board meetings.

Apart from regular Board meetings, the Chairman will at least annually meet with the INEDs without the presence of other Directors going forward.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Every Director fully observes his/her responsibilities as a Director of the Company and keeps abreast of the conduct, business activities and development of the Company. Directors are continually updated with regulatory and governance developments. They are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training record to assist the Directors to record and monitor the training they have undertaken on an annual basis.

Prior to the Listing Date, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

DIRECTORS' TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

During the period from the Listing Date to the date of this report, the Directors have attended training sessions, including but not limited to, briefings, seminars, conferences and workshops. The training records of the Directors from the Listing Date to 31 December 2019 are summarized as follows:

Directors	**Type of Training** Note
Executive Directors	
Dr. Tang Liang	A&B
Mr. Zhou Xufeng	A&B
Ms. Zhang Weiwen	A&B
Mr. Ni Xiaofeng	A&B
Independent Non-executive Directors	
Ms. Pan Yingli	A&B
Mr. Chen Dewei	A&B
Mr. Zhang Bihong	A&B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

During the period from the Listing Date to the date of this report, the Company provided all members of the Board with monthly updates on the Company's performance, financial position and prospects. In addition, all Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director and have been updated on the latest developments regarding the Listing Rules, the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practice.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with defined terms of reference in line with the CG Code since the Company's shares were listed on the Hong Kong Stock Exchange. The written terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee, which have been reviewed from time to time by the Board to keep them in line with the most up-to-date requirements, are available on the Hong Kong Stock Exchange's and the Company's websites.

The Board committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice when appropriate and upon request.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three members who are Mr. Zhang Bihong, Mr. Chen Dewei and Ms. Pan Yingli, all being INEDs. Mr. Zhang Bihong is the chairman of the audit committee.

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgments contained in them; and oversee financial reporting system, risk management and internal control procedures and reviewing the disclosure in this corporate governance report. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code.

The Audit Committee would hold at least two meetings for a year to review the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee would also meet the external auditors at least twice for a year without the presence of the Executive Directors. As the Company's shares were listed on the Hong Kong Stock Exchange on 28 May 2019, the Audit Committee had not met the external auditors without the presence of the Executive Directors during the Reporting Period. As at the date of this report, one meeting had been held between the external auditors and Audit Committee without the presence of the Executive Directors on 9 January 2020 for the Audit Plan.

During the Reporting Period, one Audit Committee meeting was held to review the interim results and report, and significant issues on the financial reporting, operational and compliance controls, and arrangements for employees to raise concerns about possible improprieties. All members of the Audit Committee attended the meeting in person. The Audit Committee has reviewed the unaudited and audited annual results and annual report of the Group for the year ended 31 December 2019 and considered the re-appointment of, BDO Limited, the Company's external auditors in 2020.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (Continued)

Remuneration Committee

The Remuneration Committee consists of three members who are Ms. Pan Yingli, Mr. Chen Dewei and Mr. Zhang Bihong, all being INEDs. Ms. Pan Yingli is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are mainly to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review remuneration proposals of the management with reference to the Board's corporate goals and objectives; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code.

The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of the Group. The Remuneration Committee would meet at least once a year to review and determine the remuneration policy and remuneration package of the Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective and performance responsibilities of the Directors and senior management and make recommendation to the Board.

As the Company's shares were listed on the Hong Kong Stock Exchange on 28 May 2019, no meeting of Remuneration Committee was held during the Reporting Period. As of the date of this annual report, one Remuneration Committee meeting has held to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management. Details of the emoluments of Directors for the Reporting Period are set out in Note 13 to the consolidated financial statements.

Nomination Committee

The Nomination Committee consists of three members who are Mr. Chen Dewei, Ms. Pan Yingli and Mr. Zhang Bihong, all being INEDs. Mr. Chen Dewei is the chairman of the nomination committee.

The primary duties of the Nomination Committee is to review the structure, size, composition, assessing the independence of the INEDs and diversity of the Board and make recommendations to the Board on the selection of individuals nominated for directorships, appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (Continued)

Nomination Committee (Continued)

The Nomination Committee has adopted a set of nomination procedures of Directors for selection of candidates for directorship of the Company by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

The Nomination Committee would meet at least once a year. As the Company's shares were listed on the Hong Kong Stock Exchange on 28 May 2019, no meeting of Nomination Committee was held during the Reporting Period. As of the date of this annual report, the Nomination Committee met once to review the structure, size and composition of the Board, the independence of the INEDs and make recommendation to the Board on the re-appointment of Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

DIRECTOR NOMINATION POLICY

The Nomination Committee has adopted a Director Nomination Policy for the nomination of Directors. The Director Nomination Policy aims to set out the selection criteria and process in the nomination and appointment of Directors; ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the Board continuity and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, length of service, professional experience, etc.;
- Requirements of INEDs on the Board and independence of the proposed INEDs in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committees of the Company.

DIRECTOR NOMINATION POLICY (Continued)

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the Reporting Period, there was no change in the composition of the Board. The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

BOARD DIVERSITY POLICY

The Group recognises and embraces the benefits of having a diverse Board to enhance the Board's performance and to achieve a sustainable and balanced development. The Board has adopted a board diversity policy which sets out the approach to achieve and maintain its diversity. The board diversity policy provides that selection of Board candidates should be based on a range of different considerations, including but not limited to professional experience, skills, gender, age, cultural and educational background, ethnicity and length of service. The ultimate selection of Board candidates will be based on merit and potential contribution to the Board with reference to the board diversity policy as a whole. The particulars of board diversity policy are set out as follows:

(1) when assessing diversity within the Board, the Company maintains that appointments to the Board should be based on merit that complements and expands the skills and experience of the Board as a whole, and certain factors will be considered, including but not limited to gender, age, cultural and educational background, ethnicity, length of service, professional experience, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board;

(2) the Nomination Committee will review the structure, size and composition of the Board and the appointment of new directors of the Company from time to time to ensure that it has a balanced composition of skills and experience appropriate to the requirements of the Company's businesses, with due regard to the benefits of diversity on the Board; and

(3) the Nomination Committee will monitor the Board Diversity Policy and its implementation, and review the board diversity policy from time to time to ensure its effectiveness.

AUDITORS' REMUNERATION

Details of the fees paid or payable to the Group's external auditors for the Reporting Period are as follows:

Services provided	**Fees**
	RMB'000
2019 annual audit	580
Non-audit services*	400
Total	980

* Non-audit services mainly consist of works performed on interim report.

COMPANY SECRETARY

Ms. Choy Yee Man of Tricor Services Limited has been engaged by the Company as its external company secretary. Mr. Daniel Ling, Chief Financial Officer of the Company, have been designated as the primary contact persons at the Company which would work and communicate with Ms. Choy Yee Man on the Company's corporate governance and secretarial and administrative matters.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

For the year ended 31 December 2019, Ms. Choy Yee Man has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for maintaining appropriate and effective risk management and internal control systems (the "Systems"). The Systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board confirmed that the Systems were in place and were effective throughout the Reporting Period.

INTERNAL CONTROL STRUCTURE

The Board is responsible for ensuring appropriate and effective Systems, and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Company. It also monitors the risks and takes measures to mitigate risks in day-to-day operations, and gives prompt responses to the findings on risk management and internal control matters raised by the Group's internal audit department or external auditors.

The Board delegates to the Audit Committee the responsibilities of monitoring and reviewing the effectiveness of the Systems, and ensuring that the management performed its duty to maintain effective operation of the Systems. The Audit Committee reviews the reports submitted by the internal audit department and the issues relating to risk management and internal controls of the Group, and evaluates the effectiveness of the Systems, which is then discussed and evaluated by the Board periodically every year.

The internal audit department assists the risk assessment committee and reports any identified risks during their internal audit. The finance department will also advise the risk assessment committee on any financial risks and the operational risks. Upon collecting findings, the risk assessment committee will then conduct analysis on the findings and devise the appropriate strategies or action to transfer, avoid, minimise or transform such risks.

During the Reporting Period, the Board, with the assistance of the Audit Committee and the internal audit department, reviewed the effectiveness of the Systems of the Group, including financial, operational and compliance controls, and risk management functions, the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget. The Board and the Audit Committee considered that the key areas of the Systems of the Group are reasonably and effectively implemented.

INTERNAL CONTROL STRUCTURE (Continued)

Internal Control policies

Policies on inside information

With respect to the procedures and internal controls for handling and dissemination of inside information, the Company is aware of its obligations under Part XIVA of the SFO and the Listing Rules, and has established the inside information disclosure policy with close regard to the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission.

Policy for employees to raise concerns about possible improprieties

The Company has adopted a policy for employees to raise concerns about possible improprieties setting out the aiming to govern and deal with fairly and properly concerns raised by the Company's employees about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

According to the policy, concerns can be raised either verbally or in writing to the respective Head of Division/Department of the employee. The Head of Division/Department will, after gathering sufficient details, submit the report to the Chief Executive Officer. If the concern involves the Head of Division/Department, or for any reason the employee would prefer the Head of Division/Department not to be told, the employee may raise the concern and submit his report to the Chief Executive Officer. If for any reason the employee would prefer the Chief Executive Officer not to be told, the employee may raise the concern and submit his report directly to the Chairman of the Board and if the concern involves the Chairman of the Board, the employee may raise the concern and submit his report directly to the Audit Committee. The Company will evaluate every report received to decide if a full investigation is necessary. Depending upon the circumstances, an appropriate investigation officer with suitable seniority at the Company will be appointed or a special committee will be set up by the Company to investigate the matter. A final report, with recommendations for change or improvement (if any), will be produced to the Audit Committee. The Audit Committee will then review the final report and if appropriate, make recommendations to the Board.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibility statement of the auditor of the Company in connection with the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 106 to 111 of this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has adopted a Shareholders Communication Policy with the objective of ensuring that the Company's shareholders are provided with ready, equal and timely access to balanced and comprehensible information about the Company.

The Company aims at providing its shareholders and potential investors with high standards of disclosure and financial transparency. The investor relations team of the Company is responsible for handling investor relations matters and also maintained close connection with international investors through teleconferences if necessary. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company makes use of various communication channels to keep its shareholders and potential investors abreast of the Group's business and latest development, such as publication of annual and interim reports, circulars to Shareholders and announcements in a timely manner in accordance with the requirements of the Listing Rules. These publications are also available on the websites of the Company and the Hong Kong Stock Exchange. The Company's investor relations webpage is regularly reviewed, improved and updated so as to include all key information. The Company believes that the interactive communications with investors can help enhancing corporate transparency and the Company's potential and actual value can be better understood by the market.

The Company's Articles of Association were adopted on 28 May 2019 and the Company has not made any changes to its Articles of Association since the Listing Date. The Company's Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.

It is proposed that the annual general meeting of the Company will be held on 24 June 2020. The notice of annual general meeting will be published on the websites of the Company (www.pji-group.com) and Hong Kong Stock Exchange (www.hkexnews.hk) and sent to the Shareholders in due course.

SHAREHOLDERS' RIGHTS

The Company engages with Shareholders through various communication channels and a Shareholders' Communication Policy is in place to ensure that Shareholders' views and concerns are appropriately addressed.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

Convening a general meeting

Pursuant to Article 12.3 of the Company's Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting forward proposals at general meetings

The Board is not aware of any provision allowing the shareholders of the Company to put forward proposals at general meetings of the Company under the Company's Articles of Association or the Cayman Islands Companies Law. Shareholders who wish to put forward proposals at general meetings may request the Company to convene a general meeting by following the requirements and procedures set out in the preceding paragraph. Proposal shall be sent to the Board or the company secretary by written requisition to the company secretary at the Company's principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong or at the Company's headquarters in the PRC at Floor 16, 518 Shangcheng Road, Shanghai 200120, PRC.

Proposing a person for election as a Director

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

SHAREHOLDERS' RIGHTS (Continued)

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Tricor Investor Services Limited
Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of the Board of Directors of Pujiang International Group Limited)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

DIVIDEND POLICY

The Company has a dividend policy to set out the principles and guidelines in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. Below set out the range of factors that the Company would consider before declaring or recommending any dividends, including but not limited to:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of Shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS ESG REPORT

Reporting standard

This environmental, social and governance (the "ESG") report (this "ESG Report") has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). This ESG Report complies with the provisions of the ESG Reporting Guide on "comply or explain" and adheres to the reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

This is the first ESG Report we have released to the public, which specifically discloses the Group's sustainable development strategies and related work.

This ESG Report should be read in conjunction with the "Corporate Governance Report" section of the Group's 2019 annual report in order to fully understand the Group's ESG performance.

Reporting scope

Unless otherwise specified, this ESG Report covers Pujiang International Group Limited (the "Company" or "we", and together with its subsidiaries, the "Group") and its subsidiaries within the Group. The time frame of this ESG Report is consistent with the Group's 2019 annual report, which is from 1 January 2019 to 31 December 2019.

Reporting methodology

Each director of the Company (the "Director(s)") guarantees that this ESG Report contains no false records, misleading statements or major omissions, and assumes individual and joint responsibility for the authenticity, accuracy, and completeness of its contents.

Comments and feedback

We make every effort to ensure consistency between the Chinese and English versions of this ESG Report. However, in the event of any inconsistency, the Chinese version shall prevail.

The Group's disclosure framework depends in part on the valuable comments from the stakeholders. For any clarifications or advice regarding the contents of this ESG Report, please forward your comments and suggestions to Projectpj.hk@pordahavas.com.

1. COMPANY PROFILE

1.1 About Us

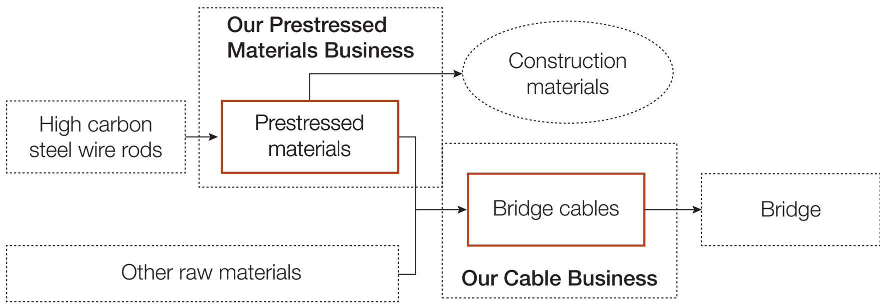
1.1.1 Brief Introduction

We are a technological innovation manufacturing group focusing on bridge cables and prestressed products. It is mainly composed of two business units: Ossen (Jiujiang) New Materials Co., Limited ("Ossen (Jiujiang)") and Ossen Innovation Materials Co., Limited are the subsidiaries engaging in the prestressed materials business under the "Ossen" brand. They are also members of China Prestressed Industry Association. Shanghai Pujiang Cable Co., Limited ("Shanghai Pujiang"), Zhejiang Pujiang Cable Co., Limited and Shanghai Pujiang Cable Installation Engineering Co., Limited are subsidiaries engaging in cable business under the "Pujiang Cable" brand. They are all professional cable structure product manufacturers integrating design, construction, production and scientific research. The Group is the largest supplier of cables for the construction of super-long-span bridges and the third largest manufacturer of prestressed materials in China. The Group invests a lot of resources in the field of product research and development, such as the establishment of government-recognised research centers and laboratories and cooperation with colleges and universities to accelerate the achievement of research results. As such, we have been able to keep up with the rapid evolution of infrastructure construction projects and maintain market competitiveness. As of 31 December 2019. The Group has close to 500 employees, and a total floor area of 230,000 square meters. It was incorporated in the Cayman Islands on 26 April 2017, and was listed on the Main Board of the Hong Kong Stock Exchange on 28 May 2019 (stock code: 2060).

1. COMPANY PROFILE (Continued)

1.1 About Us (Continued)

1.1.2 Major Industries



Cable business:

The Group operates the cable business under the "Pujiang Cable" brand. It is a leading professional manufacturer of bridge cables in China and a major manufacturer of long-span bridge cables domestically and internationally. The prefabricated parallel wire strands ("PPWS") and slings will be mainly used for the main cable strands and slings of the upper structure of long-span suspension bridges. Cable-stayed cables are mainly used for various cable-structured projects such as cable-stayed bridges, tied arch bridges, mast towers and roofs. Steel cables for building structures are mainly used in projects such as building venues, space structures, membrane structures, and large-scale exhibition centers that use cables as stress components. The Group's products have been used or are currently used to build the three largest super-long-span bridges in China, i.e. Humen No.2 Bridge, Xihoumen Bridge and Runyang Yangtze River Bridge. In addition, we were also the first in China to produce HDPE (high-density polyethylene) protective stay cables for cable-stayed bridges and PPWS for suspension bridges main cables. The Group's main production base is located in Xitang County, Zhejiang Province, China, with two suspension cable production lines and two cable production lines. The length of the main factory building of the main cable strand production line for the suspension cables is about 450 meters, which can satisfy the manufacture of the main cable strands of the 3,500-meter main span suspension bridge. The total length of the cable production line and the wharf in the plant is about 1,000 meters. The tension platform has a length of 848 meters and a tension capacity of 3,000 tons, which can meet the cable manufacturing requirements of a 1,500-meter main span cable-stayed bridge. The Group also has a wharf yard of nearly 15,000 square meters, which can store more than 750 coils of finished cable products. The Group's wharf is also equipped with a large-tonnage gantry crane that can dock 1,000-ton transport ships, and can meet the current transportation requirements for all types of cable-stayed bridges, suspension bridges, cable-related products both domestically and internationally.

1. COMPANY PROFILE (Continued)

1.1 About Us (Continued)

1.1.2 Major Industries (Continued)

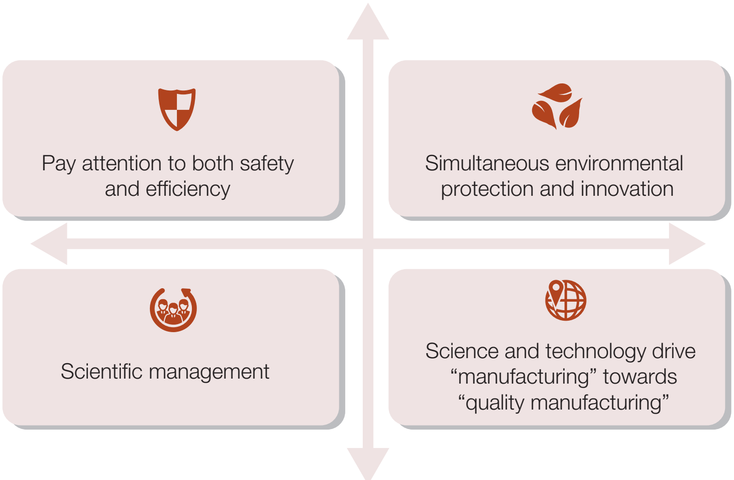
Prestressed material business:

The Group uses the “Ossen” brand to operate prestressed materials business and produce prestressed materials that are used in manufacturing and construction projects. The main product lines include rare earth coated prestressed products, plain surface prestressed products and galvanised prestressed products. The Group’s products can be produced in accordance with different standards in China, the United States, the United Kingdom, France, Spain, South Korea and other countries. Prestressed materials have significant advantages such as high strength and low relaxation rate. They are widely used not only in large-scale engineering fields such as super-long-span cable-stayed bridges, nuclear power plants, large-scale water conservancy projects, urban viaducts, high-speed railway sleepers, rock mass anchoring, but also be applied on various civil buildings. The Group has more than 15 years of experience in the prestressed materials production business, producing prestressed materials at two production bases located in Maanshan, Anhui Province, and Jiujiang, Jiangxi Province. At present, the Group’s prestressed materials have been widely used in many national key projects and exported to the United States, Canada, Spain, Italy, and Southeast Asia. The Group has not only become a key backbone enterprise in Maanshan City, but also a top export enterprise in the prestressed industry in the PRC.

1. COMPANY PROFILE (Continued)

1.1 About Us (Continued)

1.1.3 Corporate Social Responsibility



The Group always adheres to the development philosophy: to pay attention to both safety and efficiency, to take environmental protection into account while remaining innovative, and to provide customers with high-quality products and services. According to the 13th Five Year Plan for Ecological Environment Protection of China, relevant environmental protection systems such as “Industrial Solid Waste Management System” and “Management Regulations for Pollutant Prevention” have been formulated. We have thoroughly implemented the spirit of the Fourth Plenary Session of the 19th CPC Central Committee to carry out process transformation and technological innovation to promote the construction of ecological civilisation, and conscientiously fulfill the social responsibility of enterprises. Taking environmental protection into consideration while remaining innovative and evolving, lays a solid foundation for sustainable high-quality development.

Adhering to the principle of safe development without violating the principle of environmental protection is the core philosophy of the Group’s sustainable development. The Group will not only do it now, but also in the future. On the basis of focusing on product technology innovation, the Group also works hard to achieve improvement on management concepts and systems, so that the Group can achieve the goal of safe and green production through innovative transformation. The Group applies a number of cutting-edge technologies of the Internet of Things to bridge cable engineering to achieve remote monitoring of bridge cables and form full life cycle feature management. At the same time, we will continue with the research and development of various new technologies and new processes that meet the environmental protection standards, create a new generation of “hard core” prestressed material products, drive “manufacturing” to “quality manufacturing”, and make “China arc” become global bridges.

1. COMPANY PROFILE (Continued)

1.2 Honors and Achievements

Since its establishment, the Group has won many honors by virtue of its good brand image, down-to-earth spirit of hard work, perfect corporate governance structure, sound information disclosure system, and environmental protection and safety production awareness and concepts.

The following is an overview of the Group's recent honors:

In June 2019, Shanghai Pujiang won the honorary certificate of "Integrity Model Unit" issued by the Organising Committee of the Forum on Credit Management and Sustainable Development.

In February 2019, Shanghai Pujiang was awarded the title of "Shanghai Specialised Notable New Enterprise" by the Shanghai Economic and Information Commission.

1. COMPANY PROFILE (Continued)

1.2 Honors and Achievements (Continued)


企业信用资质等级
证 书
上海浦江缆索股份有限公司
AAA
The Credit Rating Certificate of Company
AAA

Shanghai Pujiang was awarded the "Enterprise Credit Rating AAA" certificate by Shanghai Hongcheng Enterprise Credit Reporting Co., Ltd. for two consecutive years.


年审合格

Shanghai Pujiang was awarded the title of "Public Trust Enterprise" by "Public Online-Shanghai".


"上海品牌"认证证书


CERTIFICATE OF SHANGHAI BRAND

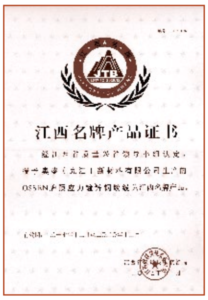
Shanghai Pujiang obtained the "Shanghai Brand" certification from China Quality Certification Center.


荣誉证书
命名 上海浦江缆索股份有限公司
为二〇一七～二〇一八年度
上海市文明单位。
特发此证。
上海市人民政府

In April 2019, Shanghai Pujiang was awarded the "2017-2018 Shanghai Civilised Unit" certification form the Shanghai Municipal People's Government.

1. COMPANY PROFILE (Continued)

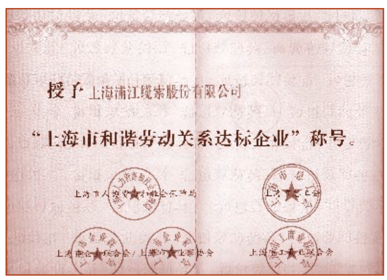
1.2 Honors and Achievements (Continued)



Jiangxi Provincial Bureau of Quality and Technical Supervision awarded the title of "Jiangxi Famous Brand Product" of Ossen prestressed galvanised steel strand produced by Ossen (Jiujiang) in December 2017.

Shanghai Pujiang won the "Science and Technology Award Special Prize" of the China Highway Society in December 2018. In January 2019, it won the "Shanghai Science and Technology Award Second Prize" certificate from the Shanghai Municipal People's Government.

In January 2019, the Group was awarded the "2018 Industrial Economic Development Contribution Award" by the People's Government of Xitang Town.



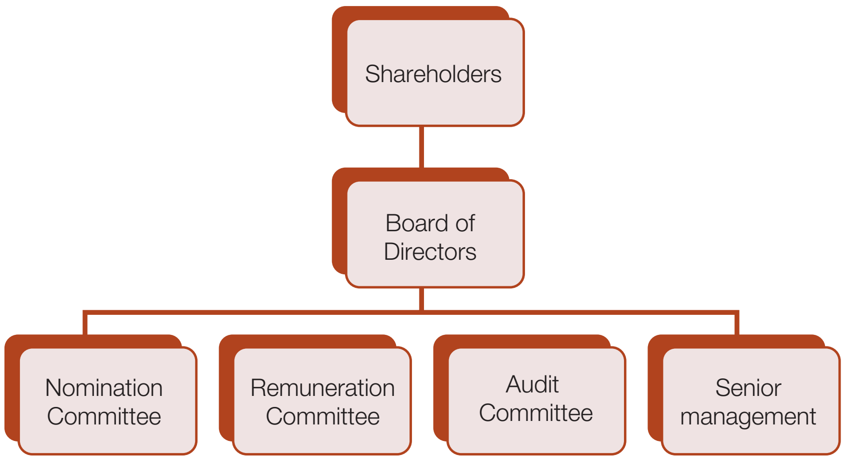
Shanghai Pujiang was awarded the title of "Shanghai Harmonious Labor Relations Enterprise" by the Ministry of Human Resources and Social Security of Shanghai and the Shanghai Federation of Trade Unions.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance

1.3.1 Corporate Governance Framework

In accordance with related national laws and regulations, resolutions passed by the shareholders of the Company (the "Shareholder(s)") in general meetings and the Company's articles of association (the "Articles of Association"), the Group has a defined organisational hierarchy comprising the Chairman, the management, and the Group's other internal structure which handles corporate matters such as staffing, responsibilities and authorities, work procedures and other related requirements. The management structure of the Group is as follows:



With reference to the above corporate governance system, the main conditions of corporate governance are as follows:

(1) Shareholders and Shareholders' Meetings: The Company convenes Shareholders' meetings in accordance with the Articles of Association. During the reporting period, the Group's major operating proposals and decisions were reviewed in the Shareholders' meeting, and the Shareholders exercised their powers by voting in accordance with the relevant laws and regulations.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.1 Corporate Governance Framework (Continued)

(2) The relationship between the controlling Shareholders and the Group: The controlling Shareholders need to strictly abide by the relevant laws and regulations of the securities market, standardise their own corporate governance and information disclosure procedures, be diligent and responsible, promote the regulated operation of the Group, and improve the quality of the Group.

They should ensure that the assets of the Group are effectively protected and that they do not infringe the Group's possession, use, income, and disposition of its properties. At the same time, the controlling Shareholders strictly perform their information disclosure obligations in accordance with relevant regulations and ensure that the information disclosed is timely, truthful, complete, without false records, misleading statements or major omissions.

(3) Directors and the board of Directors of the Company (the "Board"): Each Director and the Board would exercise their powers and obligations in strict accordance with the Articles of Association and relevant laws and regulations, attach importance to performing their duties and safeguard the interests of the Group. The Directors of the Company include independent Directors. They are natural persons who do not hold any shares in the Group. They adopt a cautious, serious, and diligent attitude and make objective and fair judgments on the resolutions proposed by the Board based on their professional knowledge and capabilities. Independent Directors should ensure that they have sufficient time and energy to perform their duties independently and effectively, safeguard the overall interests of the Group, and always pay attention to the legitimate rights and interests of the minority Shareholders from being infringed. The Board is responsible for hiring professional external auditors to conduct financial statement audits and the special audit of the research and development expenses.

(4) Senior management: The Group hires and changes senior management personnel in strict accordance with the Articles of Association. Pursuant to the relevant laws and regulations, senior management personnel have an important responsibility for the Group's business management and performance benefits. At the same time, they should fulfill their obligations of loyalty and diligence, and strive to maximise the benefits of the Group.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.2 Board of Directors

As of 31 December 2019, the Board was composed of seven Directors, including four executive Directors and three independent non-executive Directors.

In 2019, nine Directors' meetings and one Audit Committee meeting were held. The total duration was nine hours, and the attendance rate was 100%. The key information of the Directors is as follows:

Name	Age	Position	Date of appointment	Date of joining the Group	Responsibility
Dr. Tang Liang	52	Executive Director and Chairman	26 April 2017	February 2002	Overall management of the Group's business operations, corporate policy formulation and strategic planning
Mr. Zhou Xufeng	54	Executive Director and Chief Executive Officer	12 November 2018	September 2010	Overall management, financial operations and internal management of the Group
Ms. Zhang Weiwen	53	Executive Director	12 November 2018	December 2010	Overseeing operations and internal administration supported by the Group
Mr. Ni Xiaofeng	55	Executive Director	12 November 2018	December 2007	Overall management, financial operations and internal management of the Group
Ms. Pan Yingli	64	Independent Non-executive Director and Chairman of the Remuneration Committee	24 April 2019	24 April 2019	Supervising the work of the Board, Audit Committee, Remuneration Committee, Nomination Committee and make independent judgments on them
Mr. Chen Dewei	64	Independent Non-executive Director and Chairman of the Nomination Committee	24 April 2019	24 April 2019	Supervising the work of the Board, Audit Committee, Remuneration Committee, Nomination Committee and make independent judgments on them
Mr. Zhang Bihong	44	Independent Non-executive Director and Chairman of the Audit Committee	24 April 2019	24 April 2019	Supervising the work of the Board, Audit Committee, Remuneration Committee, Nomination Committee and make independent judgments on them

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders

Stakeholders of the Group and the Group are interdependent to each other. Stakeholders achieve personal goals through the Group while the Group's development cannot be separated from the input or participation of various stakeholders. It is closely related to the Group's survival and development. Stakeholders are also crucial to corporate governance. Since enhancing good communication with stakeholders directly affects the development of the Group, the Group should always maintain contact with stakeholders to facilitate understanding of the objectives and concerns of the stakeholders, and their opinions should be taken into account when the Company makes business decisions. Some stakeholders share the Group's operating risks, some monitor and control the Group. Different stakeholders play different roles in the Group. Detailed information is set out as follows:

Stakeholders	Main objectives and focus	Communication channel	Measures
Shareholders and investors	Steady operations, revenue payback, protection of Shareholders' rights; true, accurate, and timely disclosure of information.	Interim report, annual report, Shareholders' meeting, Hong Kong Stock Exchange information disclosure.	According to the Listing Rules, regularly discloses interim reports, annual reports and announcements, and holds Shareholders' meetings.
Customers	Product quality and quantity guarantee, company's reputation and industry experience; long-term and stable cooperation.	Visit regularly and maintain daily communication.	The quality department and marketing department of the Group are responsible for receiving, transmitting and giving back customer information. They work hard to meet customers' satisfaction, they continuously maintain customer relationship according to satisfaction measurement control procedures.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders (Continued)

Stakeholders	Main objectives and focus	Communication channel	Measures
Government	Operating legally, paying taxes according to law, producing safe and environmentally friendly, fulfilling social responsibilities.	On-site inspections, work conference discussions, approval of work reports.	Legal operation, compliance management, and tax payment in accordance with the relevant laws. Strengthen Company's safety and environmental protection management, receive supervision and inspection by the government, and actively undertake social responsibilities.
Staff	Guarantee of fundamental rights and interests, welfare and remuneration, working environment, development space, occupational health and safety, self-value realisation.	Trade unions, employees and management communication channels, set up a WeChat platform for employees to facilitate timely feedback on job suggestions, employee activities, training and learning.	Establish a corporate trade union organisation to provide employees with a communication platform, pay compensation and benefits in full and on time, pay social insurance in accordance with the laws, provide a healthy and safe working environment, establish a fair promotion mechanism, care for employees, help employees in difficulties, and organise employee activities.
Suppliers	Fair bidding, long-term stable cooperation and timely payment.	Bidding meetings, fairs, daily communication.	Establish the list of qualified suppliers, long-term cooperation with high-quality suppliers.
Banks	Repayment on schedule, operating conditions, business risks, honesty and credit.	Work conference, on-site inspection, post-loan tracking, and daily communication.	Repayment of loans and interest on time, cooperation with loan review and supervision.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders (Continued)

Stakeholders	Main objectives and focus	Communication channel	Measures
Competitors	Fair competition, cooperative development, sharing of technology and experience, industry development.	Seminars, exchange visits, negotiations, industry conferences.	Practice fair competition, achieve win-win cooperation, shared experiences, participate in industry seminars and research exchange activities for more than ten times, and promote the sustainable development of the industry.
Regulators	Compliance with regulatory requirements, compliance management, disclosure of information and filing information.	Consultation, information disclosure, reporting, filing information.	Strictly abide by regulatory requirements, and disclose information and filing materials in a timely, accurate, and truthful manner according to law.

Management of relationship with investor:

Investor relationship is an important factor to enhance the Group's value. Strengthening the management of investor relations is beneficial to the Group's establishment of a good capital market, improvement of investor's recognition and loyalty to the Group, consequently the relative value of the Group will be maximised. On a daily basis, the Group communicates with investors through emails, regularly discloses interim reports, annual reports and announcements in accordance with the Listing Rules and holds Shareholders' meetings.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders (Continued)

Management of relationship with customer:

Since joining the industry, the Group has comprehensively developed production technology and improved management, continuously improved product types and quality, and has the ability to meet the diverse needs of customers in the industry. The Group's main customer groups are primarily large-scale bridge engineering companies, foreign bridge construction general contracting enterprises or enterprise complexes. In the early stages of bridge design, we actively participated in and provided relevant support, technical inspections or suggestions to maintain good relationships with existing and potential customers of bridge construction projects, thereby increasing our chances of winning new bridge cable projects and cable maintenance or replacement projects. In addition, after the project is completed, we develop future cooperation relationships with our customers in testing and research. Due to our excellent track record and solid market position, we often obtain qualifications for customers to invite potential tenders, and have established long-term and stable relationships with major customers in the industry. During the execution of the contract and after the execution of the contract, the production department organises the relevant personnel to perform the services specified in the contract and fills in the "Service Record Sheet". The marketing department returns to the completed project and completes the "Customer Satisfaction Survey Form". During the return visit, the customers' feedback (including customer complaints) should be investigated and analysed in a timely manner, the Company will provide responses to customers' feedback and improve the quality system.

Management of relationship with the Environmental Protection Agency:

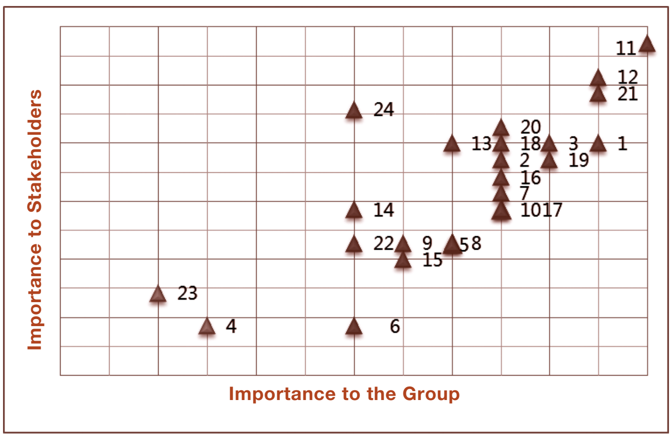
The Xitang Town Environmental Protection Agency under the Jiashan County Environmental Protection Bureau, the Jiujiang Ecological Environment Bureau and the Maanshan Ecological Environment Bureau strictly implement environmental supervision and management and environmental monitoring of the Group in accordance with national environmental protection laws and regulations. The test results of the Group during the reporting period were able to meet the Ministry of Environmental Protection requirements.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.4 Materiality Assessment

Based on the ESG Reporting Guide, the Group has identified 24 ESG issues as follows, which are considered to have an impact on the environment and society through our operations. We quantified the importance of each environmental, social, and governance theme by collecting questionnaires from representatives of the Group's major stakeholder groups to arrive at the following importance matrix. The top right quadrant identifies the highly important topics.



No.	ESG issue	Guidelines index	No.	ESG issue	Guidelines index
7	Management of emissions	A1.1	1	Occupational health and safety measures	B2.3
4	Management of greenhouse gases	A1.2	13	Employee training and inputs	B3.1&B3.2
18	Waste management	A1.3&A1.4	24	Avoid child and forced labor	B4.1&B4.2
8	Energy saving and emission reduction measures	A1.5&A1.6	16	Supplier situation	B5.1
6	Management of electricity, gas or oil energy	A2.1	17	Supplier hiring principles	B5.2
5	Management of water use	A2.2&A2.4	20	Product health and safety	B6.1
9	Management of energy use	A2.3	21	Product and service complaints	B6.2
22	Management of product packaging materials	A2.5	2	Intellectual property protection	B6.3
10	Environment and natural resources	A3.1	19	Product quality testing and recycling	B6.4
15	Employment situation	B1.1	3	Consumer information security and privacy	B6.5
14	Employee turnover	B1.2	11	Legal compliance operation and anti-corruption	B7.1&B7.2
12	Personal safety of employees	B2.1&B2.2	23	Types of social issues involved and their inputs	B8.1&B8.2

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY

2.1 Environmental Protection Policies

Policies and regulations	Promulgation date and organisation	Main content
《Law of the People's Republic of China on the Prevention and Control of Air Pollution》(Amended in 2018)	26 October 2018, NPC Standing Committee	Protect and improve the environment, prevent air pollution, protect public health, promote ecological civilisation, and promote sustainable economic and social development.
《Environmental Protection Law of the People's Republic of China》(2014 Revision)	24 April 2014, NPC Standing Committee	Protect and improve the environment, prevent pollution and other public hazards, protect public health, recommend the construction of ecological civilisation, and promote sustainable economic and social development.
《Law of the People's Republic of China on Water Pollution Control》(Amended in 2017)	27 June 2017, NPC Standing Committee	Protect and improve the environment, prevent and control water pollution, protect water ecology, ensure drinking water safety, maintain public health, promote ecological civilisation construction.
《Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution》	30 October 1995, the Eighth NPC Standing Committee	Prevent solid waste from polluting the environment, protect human health, and promote the development of socialist modernisation.
《The environmental impact assessment law of the People's Republic of China》(Amended in 2018)	29 December 2018, NPC Standing Committee	Implement sustainable development strategies, prevent adverse environmental impacts caused by planning and construction projects, and promote coordinated economic, social, and environmental development.
《Regulations of Zhejiang Province on Water Pollution Control》	19 December 2013, the 7th meeting of the 12th NPC Standing Committee of Zhejiang Province	Prevent and control water pollution, protect and improve the environment, ensure the safety of drinking water, and promote comprehensive and sustainable economic and social development.
Regulations of Zhejiang Province on Prevention and Control of Environmental Pollution by Solid Wastes	29 March 2006 the 10th NPC Standing Committee of Zhejiang Province	Prevent solid waste from polluting the environment, use resources reasonably, protect human health, maintain ecological safety, and promote sustainable economic and social development.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.2 Emissions Related Analysis

The Group has formulated “Energy Conservation and Emission Reduction Management System”, “Industrial Solid Waste Management System”, “Pollutant Prevention and Control Facilities Operation Management Regulations”, “Pollution Accident Emergency Plan” and other rules to ensure that all pollutant emissions, waste disposal and treatment comply with regulatory standards.

The Group’s emissions from production and operation mainly come from the operation of factory equipment, gasoline and diesel consumption of its own vehicles (mainly small cars), wastes from production and operation (steel, packaging, etc.), surface treatment of raw materials (acid washing, plating) and office, electrical, cleaning agents, electronic debris, paper, etc. Although the Group’s business has little impact on direct environmental emissions, it is still committed to adopting environmental protection measures to improve the production and operation processes. During the reporting period, the Group was not aware of any major violations related to atmospheric and greenhouse gas emissions, sewage and hazardous and non-harzardous wastes.

2.2.1 Air Emissions Data Calculation

In the process of combustion, air pollutants such as nitrogen oxides, sulfur oxides, and particulates are emitted. Excessive discharge of pollutants can lead to air pollution. After sorting out and obtaining data of the forklift trucks, car driving kilometers and fuel consumption of the Group, we calculated the Group’s major air pollutant emissions in 2019.

Types of emissions	Emissions in 2019 (kg)	Emission intensity (kg/person)
Nitrogen oxides	307.1	0.67
Sulfur oxides	1.36	–
Particulate Matter	28.72	0.06

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.2 Emissions Related Analysis (Continued)

2.2.2 Greenhouse Gas Emissions Data Calculation

Greenhouse gases are emitted through both direct and indirect methods. When fuels are burned via fixed and mobile sources, certain amount of greenhouse gases such as carbon dioxide, methane, and nitrous oxide are directly emitted. This is classified as Scope 1. The electricity provided will indirectly emit greenhouse gases. This is classified as Scope 2. Decomposition of waste paper in landfills, business trips by employees, electricity used in fresh water and sewage treatment, etc. also generate greenhouse gases. This is classified as Scope 3.

Mitigating global warming is no longer an issue at the international level only, but is also relevant to all members of the society. In order to implement effective climate change mitigation measures, it is important to fully understand the source of the Group's carbon emissions. The Group's carbon footprint is mainly attributed to outsourced electricity use, mobile source combustion (i.e. vehicles), and business travel.

During the reporting period, fuel from mobile sources (mainly small and light vehicles) generated a total of 218.92 tons of carbon dioxide equivalent. By collecting data from the Group's annual electricity bill invoices, the carbon emissions were calculated to be 5,150.5 tons of carbon dioxide equivalent. Although Scope 3 emissions are relatively fewer in amount, we still consider upstream and downstream impacts on the value chain. The Group will also disclose indirect greenhouse gas emissions caused by business travel and water supply and drainage activities. In view of the fact that the waste paper is recycled and reused by waste manufacturers, this ESG Report will not consider its impact on greenhouse gas emissions.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.2 Emissions Related Analysis (Continued)

2.2.2 Greenhouse Gas Emissions Data Calculation (Continued)

Greenhouse gas emissions scope	Emissions (tons) (measured in CO2 equivalent)	Intensity (emissions/ employee)	Emission ratio
Scope 1 (direct emissions): Stationary source	–	–	–
Scope 1 (direct emissions): Mobile source	218.92	0.47	3.91%
Scope 2 (indirect emissions): Electricity purchased	5150.8	11.17	91.92%
Scope 3 (others): Business Aviation Travel	168.97	0.37	3.01%
Scope 3 (others): Freshwater and wastewater treatment	64.93	0.14	1.16%
Total	5603.62	12.15	100.00%

2.3 Waste Classification and Emissions

Waste is a product of the manufacturing industry in the production and operation period. Improper treatment will cause different degrees of pollution to the surrounding environment. Therefore, the Group collects wastes according to relevant standards strictly and adopts a compliant treatment plan.

The non-hazardous wastes produced by the Group mainly include waste steel, waste packaging paper, office waste paper, and residual food. Among them, the scrap steel produced is sold to recycled material companies at a discount. All office areas have classified trash bins. The hazardous wastes generated by the Group, including waste acid liquid, zinc slag, phosphate slag, waste mineral oil, etc., can be collected in a safe and reliable manner, and entrusted with qualified units for disposal or discharged later after qualified treatment. Part of the waste mineral oil can be consumed again in the production cycle, thereby reducing the negative impact on the environment.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.3 Waste Classification and Emissions (Continued)

The Group advocates reducing the generation of solid waste, encourages all employees to develop good working and living habits, and continuously increases the monitoring of waste recycling and discharge to prevent its environmental damage from the source. The calculation of some waste created in the office area is not perfect, but the Group will strive to improve its monitoring capabilities in the coming years by continuously assessing its importance.

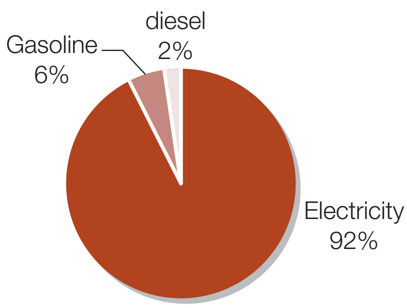
Category	Name	Quantity (tons)	Intensity (tons/ person)	Collection method
Non-hazardous waste	Production related waste	86.50	0.19	Contact the scrap dealer from time to time for recycling
	Other life-related waste	6.46	0.01	Classified and put into the Group's trash bin for daily disposal
Hazardous waste	Waste acid	145.58	0.32	Independently stored in our Company's hazardous waste warehouse, and recycled by specialised agencies
	Zinc slag	18	0.04	Segregated storage and recycling by qualified institutions
	Phosphate slag	4.23	0.01	Temporarily stored in the Group's hazardous waste warehouse, and recovered by qualified institutions
	other	0.07	–	Unified storage, periodic processing or production cycle consumption

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.4 Use of Resources Analysis

The Group's energy portfolio mainly includes vehicle fuel and electricity. In 2019, the Group consumed 48.94 tons of gasoline, 19.2 tons of diesel, and business power consumption of 8.1759 million kilowatt-hours, which can be converted into 1,104.4 tons of standard coal, and the per capita energy intensity is 2.4 tons coal.

The Group's annual energy consumption in 2019 (tons of standard coal)



The main energy consumed by the Group is electricity. The Group has formulated the "Regulations on the Management of Power Savings of the Group" to improve the quality of management and reduce production costs. It is hoped that employees will form a good habit of saving power. In order to strengthen power management, further control costs and reduce internal consumption, in 2019, our subsidiary Ossen (Jiujiang) issued the "Notice on Saving Electricity" taking into account the actual needs of production and operation, saving 200,000 kilowatt hours of electricity throughout the year.

The Group only takes water from the local water supply plant to meet the its internal production and operation needs. The domestic sewage and cleaning wastewater generated to maintain the sanitation of the facility are discharged into the municipal pipe network after three-stage sedimentation treatment in the septic tank. The total groundwater consumption of the Group in 2019 was about 144.9 thousand tons, and the water intensity is 1.0 × 103Kg/m3. The rain and sewage in the factory area are diverted, and the cooling water is recycled. The Group also regularly carries out leakage inspection on the water supply network, and reduces losses by modifying part of the water supply network.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.4 Use of Resources Analysis (Continued)

In 2019, the cable business of the Group used 8,000 rolls of wrapping tape, 0.11 rolls/ton cable and 37,408 meters tarpaulin, 0.52 meters/ton cable, while the prestressed material business used 1.78 million meters of packaging cloth (8.5 meters/ton of product), and 140.9 tons of steel belt (2.7 kg/ton of product). In order to strengthen the quality management of packaging materials, the Group stipulates the packaging protection process under the "Product Protection Control Procedures" and the Group stipulates under the "Warehouse Management System" that the discarded packaging bags should be standardised for recycling and unified scientific treatment for maximum protection ecosystem.

The Group promotes new energy-saving and environmentally-friendly products, encourages the use of water-saving, power-saving facilities and appliances; strictly controls the purchase of large high-energy-consuming equipment, and prioritises products that meet national energy-saving standards and have energy efficiency labels to eliminate environmental pollution from the source. As of 31 December 2019, the number and type of the Group's office equipment have been calculated, there are a total of 114 computers, 24 printers, 4 fax machines, 7 copiers, and the overall number of equipment is small. In addition to working equipment, we use about 850 LED lights and 2,320 energy-saving lights. There are 162 air conditioners, of which 143 are split type, 2 are water-cooled, 4 sets of central air conditioners, and 13 cabinets.

2.5 Energy Use Efficiency Initiatives, Measures to Mitigate Emissions and Results Achieved

Energy saving and emission reduction are important measures to implement the scientific development strategy, promote economic restructuring, change the mode of economic development, and increase the potential for sustainable development. The Group has set up a leading group to comprehensively deploy the Company's energy conservation and emission reduction work, guide and solve major problems during operation, the operation department organises the implementation, tracking and supervision of the implementation of specific work. During the reporting period, the Company formulated the following programmes and measures in terms of energy conservation and emission reduction. We are committed to their implementation and have achieved certain results.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.5 Energy Use Efficiency Initiatives, Measures to Mitigate Emissions and Results Achieved (Continued)

Program	Measurement
Management of saving electricity	Measures: • Extensive use of energy-saving lamps or LED lights, according to the light conditions, turn off the lighting power in a timely manner; • Does not turn on the air conditioner without users. Only when the temperature is higher than 32 degrees Celsius in summer and lower than 0 degrees Celsius in winter can the air conditioner be turned on; • When suspending the use of the computer, it is recommended to put the computer in standby, turn off the monitor, or completely shut it down; after using the computer, shut down normally, unplug the power plug and completely power off; • All personal electrical equipment must be turned off after work, including computers, printers, water dispensers, etc.; • Strictly control the electricity leakage of equipment. When replacing equipment, preferentially select products with energy efficiency labels; • By completing multiple technical upgrades of the production line, the standby energy consumption in the production line process is further optimised; • Try to use electricity during valley hours for continuous centralised production; The managers of all departments and office staff should take the initiative to check the condition of the equipment. The operation department is responsible for the implementation and supervision of these regulations. All employees should obey and cooperate with the work. Anyone who violates the rules will be fined according to the Group's relevant regulations. Results: In order to minimise the use of electricity, the Group takes the measures above in all operating area. The Company plans to further quantify and subdivide the power consumption of each division to achieve optimal management. It is expected that the overall power consumption will be saved by 3%-5% in the whole year. In addition, the elimination of hot water supply of steam boiler can save up to 150,000 kwh.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.5 Energy Use Efficiency Initiatives, Measures to Mitigate Emissions and Results Achieved (Continued)

Program	Measurement
Water efficiency initiatives	Measures: The Group insists on preventing the waste of water, and reminders are posted to cultivate employees' awareness of water saving; regular maintenance of pipelines to avoid water loss. Our factory in Zhejiang entered into a sewage treatment agreement with Jiashan County Xitang Wastewater Treatment Co., Ltd., and the domestic sewage was discharged after meeting the requirements of the third level of GB8978-96 "Integrated Wastewater Discharge Standard". In addition, the Jiujiang plant area has cancelled the surface pickling process in 2019 and transformed the backwater pipeline. Results: Water conservation is also an important measure for effective energy conservation and emission reduction. At present, the domestic water in the office area has been controlled within a reasonable range; According to statistics, the annual water saving reached 12,000 tons, more than 2,000 cubic meters of water can be saved by canceling the steam boiler.
Transportation	The Group's business contacts and project site acceptance will inevitably result in a large number of business air travel. Thus, we normally require employees to choose direct flights, control the number of travelers, and choose economy class. When feasible, the Group encourages the choice of high-speed rail travel, while widely using electronic communications. The Group also encourages employees to use public transport to commute and reduce the use of private cars, further reducing roadside emissions by improving the use efficiency of public transport. At present, it is difficult to quantify the effect of the Group's transportation travel, but in all alternative travel schemes, we advocate to choose a low-carbon travel mode after considering various factors.
Management of paper	All contracts are electronically archived and uploaded online, reducing the need for printed documents; It is recommended to print double-sided waste paper in the office area to ensure efficient use of paper and avoid waste of resources. The waste paper is collected and stored uniformly, and it is regularly recycled. During the reporting period, the Group had good control over paper use management. The Group plans to implement paperless office in 2020.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.5 Energy Use Efficiency Initiatives, Measures to Mitigate Emissions and Results Achieved (Continued)

Program	Measurement
The use of air-conditioner	In accordance with the principles of safety management, energy saving and consumption reduction, the Group has made relevant regulations on the use of air conditioners according to the changes in seasonal temperature. That is, the indoor air-conditioning temperature setting in summer should not be lower than 26 degrees Celsius, and the indoor air-conditioning temperature setting in winter should not be higher than 20 degrees Celsius. Doors and windows should be closed during use, and the direction of the blades of the air conditioner should not be changed at will. Energy-saving regulations such as closing the air conditioner in time after work are recommended. Since the adoption of the regulation, the Company has saved about 10% of air conditioning power consumption.
Noise control	The Group does not produce materials at night; try to use low-noise equipment; close doors and windows when the workshop is in production; maintain the equipment that produces noise in the workshop to meet the class III standards of GB12348-2008 "Noise Standards for Industrial Enterprise Boundary".
Reduce the production loss	For cable business, the Group achieves the purpose of reducing the frequency of cooling water replacement by recycling the cooling water of the extruder, and thoroughly solve the problem of cooling water consumption. For the production of prestressed materials, the Group has improved the product yield and qualified rate by improving the process and the operating skills of employees, strengthening the control of the entire production process, which saved about 30 tons of steel in 2019. In 2018, the hot water supply of coal-fired steam boiler was completely cancelled, and air energy heat pump was used for heating water, saving more than 200 tons of coal every year.
Management of scrap steel	For the scrap steel generated at the end of the project, the Group first comprehensively evaluates whether its specifications and remaining length are sufficient to be reused to make a relatively short test cable, otherwise it will be sold to a recycled material company at a discount, so as to maximise the scrap utilisation rate.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.6 Environment and Natural Resources

The Group attaches great importance to environmental management, adopts the policy of "standardised management, reduced use, making the best use of everything, recycling" and minimises the impact on the environment and natural resources in all aspects. During the reporting period, the Group has formulated a series of measures to reduce the use of resources and properly dispose of waste. (For details, please refer to "2.5 Energy Use Efficiency Initiatives, Measures to Mitigate Emissions and Results Achieved" above.) In addition, the Group places and regularly replaces green plants in each office area to purify the office environment, advocates reducing the consumption of disposable appliances, and ensures that the dust treatment and green plant coverage in the plant meet the standards.

Acid mist absorption purification tower

Sewage treatment station

The exhaust gas (acid mist) generated in the acid washing process of the prestressed business production process is collected and treated by the acid mist absorption tower and discharged, and the washing water is discharged into the sewage treatment plant in the park after being treated by the Group's sewage treatment station; the phosphating slag generated in the phosphating process is temporarily stored in the Group's hazardous waste warehouse and recycled and treated by the organisation with relevant qualification.

The Group entrusts a testing agency to inspect the Group's operating conditions and environmental protection facilities each year. It monitors the exhaust gas, wastewater, and noise emissions at major locations through monitoring instruments, and issues monitoring reports based on the test results and relevant national standards. The Group has obtained the urban sewage discharge into the drainage network management license issued by the government agency. The 2019 monitoring report data shows that the monitored values of exhaust gas, wastewater and noise all meet local or national emission standards. Besides, the relevant competent government authority confirmed that the Group has not suffered any administrative penalties related to environmental protection matters.

3. CORPORATE SOCIAL RESPONSIBILITY

3.1 Employment and Labor Status Analysis

3.1.1 Employment Status and Labor Practices

The Group has always adhered to the "people-oriented" management philosophy and formulated the "Enterprise Employee Handbook" in accordance with national and local policies (including but not limited to the "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China", etc.). The Group is committed to providing employees with a positive and harmonious working environment. We have formulated a comprehensive human resources management system and procedures, including prudent recruitment procedures, good performance evaluation system, competitive compensation and benefits, and continuous improvement of training and development system, so as to stimulate employees' potential and enhance employees' sense of belonging and satisfaction. The Group regularly reviews and updates the policies and procedures contained in the human resources manual, and this year, no violations of applicable laws and regulations regarding employment occurred in all operating regions.

Recruitment and promotion:

The Group hires employees in strict accordance with the established recruitment process and plan, and firmly resists the employment of underage children as formal employees of the Group. The recruitment is mainly based on the candidate's morality, attitude, education, experience, skills, and we fully evaluate the suitability of the candidate for the recruitment position. The Group will inspire and restrict each employee with the principle of "just, open and fair", and give each employee equal promotion rights and opportunities at the same time. Human Resources Department is responsible for checking the assessment process and results of each department. The main reference indicators are: work performance, ability, attitude, and events with special contributions such as breakthrough technological innovations and solving major potential risks are included in the assessment scope.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.1 Employment Status and Labor Practices (Continued)

Salary and benefits:

The Group implements an 8-hour work day. Some positions and types of work may be subject to additional timekeeping and quota systems. The Group needs to ensure that the employee's salary is fully paid to his salary card before the prescribed pay day every month, and the social security and provident fund related to salary are handled properly for the employees in accordance with the required standards.

The current employee salary policy is relatively reasonable. For example, production workers gain more according to the output value and performance. The Group focuses on the treatment of technical staff and senior management personnel (such as granting two management personnel options to enhance their sense of ownership). Employees are entitled to any legally prescribed benefits, wages and holidays, including sound employee health management (insurance, physical examination, labor insurance supplies, etc.), paid annual leave and other holidays (such as wedding leave, bereavement and maternity leave, etc.).

The Group will continue to implement remuneration management and improve employee salary structure in 2020. Implementing a reasonable and fair salary system is an important and imperative goal of human resources management.

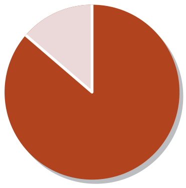
3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

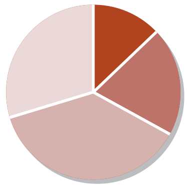
3.1.1 Employment Status and Labor Practices (Continued)

Proportion of employees of the Group by major indicators in 2019

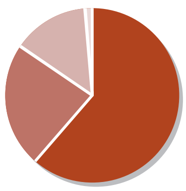
Work force by gender



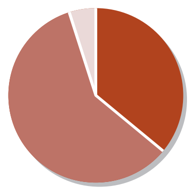
Work force by age group



Work force by education level



Work force by employment type



Number of employees and turnover rate in 2019 by employment type

Type	Number of employees as at 31 December 2019	Percentage of total number of employees as at 31 December 2019	Number of departed employees	Turnover rate
Functional management	167	35.95%	–	–
Production	270	58.82%	2	0.43%
Other	24	5.23%	–	–
Total	461	100%	2	

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.1 Employment Status and Labor Practices (Continued)

As of 31 December 2019, our total number of employees was 461, of which males were relatively large. The Group has a large number of production staff, a small proportion of undergraduates and above, and a higher age distribution. It is mainly because the senior staff members have rich experience in production and development and strong business capabilities, which bring more synergy to the Group. On the whole, the Group's turnover rate throughout the year is low, personnel changes are minimal, and the overall situation is relatively stable. According to the demand for production and operation in 2020, the Group plans to continue to increase the number of production workers. Recruitment of this type of workers can be done in any channel.

3.1.2 Employees' Health and Safety

In order to ensure the safety and health of all employees during the production process, and to ensure the successful completion of various production tasks, the Group not only strictly complied with the "People's Republic of China Safety Production Law" but also formulated various rules and regulations for the Group's safe production, such as "Safety Production Management System", "Safety Production Operation Rules", "Safety Production Post Responsibility System", "Production Equipment Maintenance System", "Employee Occupational Health Physical Examination Management System", etc. According to occupational safety regulations, we require new employees to participate in safety training to familiarise them with relevant safety rules and procedures; and regularly maintain equipment and machinery to ensure that they can be safely operated. We comply with relevant regulatory requirements and implement safety measures in production facilities to minimise the risk of injury to employees. The Maanshan production base was awarded the Certificate of Level 3 Enterprise in Work Safety Standardisation by the State Administration of Work Safety in 2016.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

The Group mainly provides guidance for workplace safety management through the following safety policies and procedures:

- Improve employee occupational health records and issue "Occupational Disease Hazard Notifications" to employees who may face occupational disease hazards. Provide pre-employment training for employees to prevent and protect occupational health. The Group also regularly arranges for all employees to conduct annual physical examinations in order to detect and prevent/eliminate occupational diseases in a timely manner;

- Take emergency measures immediately in the event of an occupational hazard. The Group shall report to the health administrative department and relevant departments in time and actively assist in investigation process;

- The production workplace adopts effective governance measures to improve labor conditions, in order to ensure that occupational hazards in the workplace meet national health standards (such as regular inspection of exhaust gas and noise; cooling the Group's employees in high temperature seasons);

- Newly constructed, reconstructed and expanded engineering projects and overhauled engineering projects shall meet national health standards and requirements. The design and construction department must ensure that the design of safety technology, implementation of labor protection facilities and production of the main engineering project are carried out at the same time;

- Take safe passages in the room, and it is strictly forbidden to traverse the production line in operation at will. Employees are prohibited from approaching high-altitude/lifting construction sites and other dangerous areas;

- The employee's labor protection gear shall be distributed timely and fully, in accordance with the "Labor Protection Articles and Health Products Distribution Management System". The Group also needs to urge employees to use it correctly (such as wearing a helmet). We also carry out regular maintenance and inspection of protection facilities;

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

- The Group has formulated an emergency rescue plan for the accident and revised it in a timely manner in accordance with the actual situation. The Group also regularly organises emergency rescue drills, and relevant plans will be reported to relevant local government departments for the record; and

- The Group enhances employees' safety awareness through various channels (including conferences, seminars, and three-level safety education and training), and urges employees to study carefully in order to be proficient in handling abnormal situations in the production process, such as fire suppression and shut down operating equipment, electric shock first aid, simple bandaging for skin trauma, etc.

In 2019, the Group had no major employee health and safety violations or lawsuits.

Safe education

On 8 October 2019, the head of the Human Resources Department organised workshop to conduct a safety alert education meeting in the canteen. It is hoped that this will increase the awareness of safety responsibilities of all employees and prevent safety accidents. The meeting emphasised the importance of safe production and instructed employees on how to carry out safe production. It enables employees to have a systematic understanding of the factors and risk control that may potentially endanger safe production in the workshop. Similar meetings are held frequently throughout the year, with an average of once a month.

Pre-job education

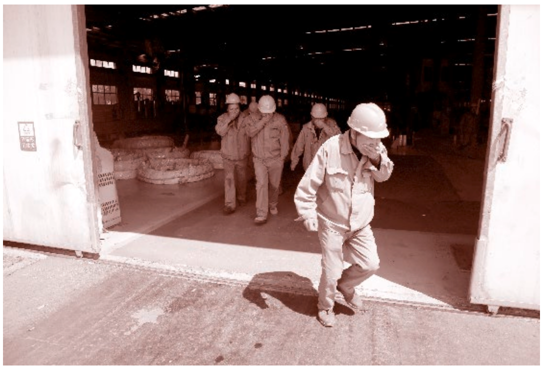
On 5 July 2019, the Group arranged for a group of new employees to conduct training and education on company rules and regulations, personnel management system, and safety education. It is hoped that the new joiners will have a comprehensive understanding of the Group's philosophy, values, social responsibility and future development prospects. The Group stipulates that new employees must participate in pre-job training arranged by the Group before formal employment.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

Fire drill



On 7 March 2019, the Group conducted a fire drill at the Xitang workshop in Zhejiang. In this exercise, professionally trained production operators and emergency teams, evacuators, and first-aid personnel conducted fire drills in the equipment area. The emergency captain directed the team members to extinguish the fire at the scene, and reported to the management representative and general manager. The fire was extinguished completely within half an hour.

This fire drill has enhanced the ability of production operators to respond to a fire or an unexpected event. Emergency team members can carry out rescue work in accordance with the Group's "Fire Emergency Plan", master emergency procedures and necessary knowledge of firefighting, evacuation and first aid. We have institutionalised the Group's fire safety activities and laid a solid foundation for the Group's fire prevention work.

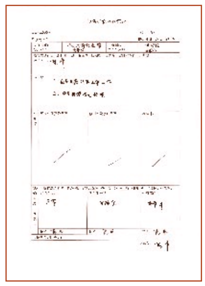
3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

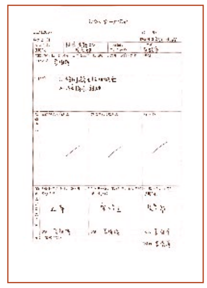
3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

Equipment maintenance records

In order to strengthen the management of equipment use and maintenance, and to avoid potential production risks, the Group has formulated the "Maintenance System for Production Equipment" as follows:





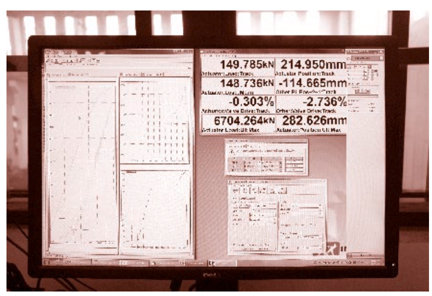
The main equipment and special equipment must be assigned to suitable personnel at fixed points with relevant qualifications;

All departments must perform commissioning beforehand to ensure that the equipment's control and movement instructions are accurate;

Self-inspection and maintenance need to be carried out once a month and the Equipment Maintenance Record must be filled in at the same time.

Laboratory work scenarios/recorded result

The Group has formulated the "Laboratory Equipment and Instrument Operating Specifications" to clarify the operating procedures of major equipment to ensure the experimental results and the safety of test personnel. This document emphasises the preparations for the commissioning of the equipment and the order in which the equipment is shut down after the test is completed. The precautionary measures for potential safety hazards are as follows: the surface of the sample to be tested must not be touched with fingers or blown with mouth. If there are stains, it can be washed with absolute ethanol; when the instrument is not often operated, cover the excitation hole with a waste sample to prevent dust; to ensure the ambient temperature and humidity, the air-conditioning temperature is set at 16 degrees Celsius in winter and 24 degrees Celsius in summer.



3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

The Group performs different levels of maintenance on the equipment every six months. After the maintenance is completed and the verification is passed, the "Equipment Maintenance Record" will be filled in and submitted to the quality department for summary management. The "Monitoring and Measuring Equipment Control Procedures" requires the centralised management department to control the effectiveness and accuracy for product monitoring and measuring equipment activities: qualified equipment is marked by the quality department for certification; repairs are carried out if the certification is not qualified. Items that are still unqualified after being repaired shall be discarded, and the "Materials Scrap and Damage Report Form" shall be completed and submitted to the production department for scrapping procedures. The quality department and the user department shall mark the appliances and register on the ledger.

The Group has formulated the "Annual Environmental Target Indicator Management Plan", each major responsible department conducts monthly and daily professional investigation of hidden dangers, and completes the "Environmental/Occupational Health and Safety Target, Indicator Completion Record Form". The main safety index items are scored, and passed to assigned department for cross-validating to ensure its effectiveness before submitting to the superior for approval. The department of materials is responsible for recording the "Dangerous Source Survey Form" and summarising and reporting the control status and improvement plans of the major dangerous sources. We monitor the management of hidden dangers to ensure that the hidden dangers are solved on schedule. The hidden dangers then detected shall be rectified in time, and corresponding measures shall be taken in time for those who are unable to rectify. Fire-fighting equipment is in place in case of emergencies such as accidents; safety labor protection supplies are provided in accordance with national requirements to ensure that employees' supplies are adequate and allocated on time.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

With the proactive response of employees and the frequent self-inspection of workshop group, in 2019, there were no major or long-term production interruptions due to equipment failures, and there were no major accidents in the production process.

Safety production index	Times	Description	Affected working days
Environmental pollution accident	–		–
Fire accident	–		–
Minor injury	1	Hand injury by steel wire	5
Serious injury	–		–
Fatal accident	–		–

In 2019, the Group actively arranged for workshop personnel for education and training, strengthened employees' safety awareness, and improved employees' safety knowledge. The main training items are safety operation skills, emergency rescue training, protective equipment and emergency supplies training, learning of safe operating procedures for possible hazardous accidents in the workshop, etc.

In addition, the employees' self-safety protection awareness is also emphasised in the training to ensure that the product quality is qualified while creating a safe working environment. On the basis of the controllable transportation safety in 2018, the control of real-time GPS while driving, monitoring of lifting safety and cargo bundling during the transportation and lifting process in 2019 were also strengthened. Furthermore, the Group invites all employees to participate in a health checkup every year, and has increased gynecological examinations for women. All employees should undergo pre-job training before taking up their jobs, and acquire the necessary professional skills. Some employees also need to work with certificates to avoid unnecessary injuries due to inadequate skills.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.3 Staff Development and Training

In order to tap the working potential of existing personnel, the Group strictly observes the employee manual and training management control procedures to ensure that all members of the Group are properly trained to master the corresponding knowledge and technical level. The Group has devoted to preparing employees with better career prospects and maximising their self-worth.

At the beginning of each year, the Group formulates a human resources development plan, management goals and implementation plan regarding training based on the personnel management work of the previous year. The Group adheres to the principle of reforming the training model, focusing on the effectiveness of training, combining theory with practice. Our internal training includes induction training, transfer training, production staff safety education, quality awareness training, canteen cleaning and hygiene, and service awareness training. External training involves both technical skills and job functions. At the same time, the training team used the "Employee Training Feedback Questionnaire" to understand the response to the training, and evaluate the effectiveness of the training activities.

In addition, the Group also organises communication activities from time to time to share effective information. By providing books for employees to learn and exchange views spontaneously, we establish a sufficient communication platform to deepen the emotional connections of employees in different functional areas. The combined effects of different suggestions and ideas will surely produce a synergy effect which could help the Group as a whole going forward.

In 2019, we held 106 training sessions, with a total duration of 322 hours, covering 1,984 participants in total, all of which were assessed after the training.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.3 Staff Development and Training (Continued)

Name/Type	Memo	Internal/ External	Cumulative training hours (unit: hours)	Cumulative training sessions (unit: sessions)	Cumulative number of participants (unit: person)	With or without assessment; results
Pre-job	skill	Internal	78	28	161	With; pass
	safety	Internal	44	25	201	With; pass
Daily	skill	Internal/External	102	27	860	With; pass
	safety	Internal/External	98	26	762	With; pass
Total			322	106	1984	

Professors from the Department of Civil Engineering of Tongji University visited our Company and communicated with the Group's technical staff. They gave guidance to the Group's current production workflow and processes, and proposed a constructive improvement plan to the Group based on the industry's future technology development trends. This seminar helps the sustainable development of the Group.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.4 Guidelines for Preventing Child or Forced Labor

The Group strictly abides by national laws of the People's Republic of China, the "Law of the People's Republic of China on the Protection of Minors", the "Provisions on the Prohibition of Child Labor" and other relevant laws and regulations in labor employment and strictly prohibits the employment of child labor. The Group firmly resists and opposes any form of forced labor behavior, including forced labor, improper punitive measures, etc. We strictly control the recruitment process, registration, labor contract and other aspects, carefully check and verify the employee's identity information (including but not limited to the background information such as ID card and education background) before joining the Group as an employee, to ensure the authenticity and effectiveness of personal information, and to avoid employing child labor due to inadvertent mistakes.

In 2019, neither the Group nor its suppliers was engaged in any use of child labor, nor did they get involved in the use of young workers for high physical labor.

3.2 Analysis of Operation Management

3.2.1 Supply Chain Management

In order to effectively evaluate and select qualified suppliers, the Group perfects and optimises the supply system to ensure that the supplier's supply quality and production delivery capabilities can meet the Group's and customer's standards.

The Group set up a responsibility assessment team to evaluate the supplier's qualifications in accordance with the "Procurement Control Procedures". The material department takes the lead and is responsible for filling in the "Supplier Evaluation Record Form". With concerted effort of the technical department, quality department, and production department, the suppliers' technical capabilities and quality management is assessed. The candidate suppliers are comprehensively analysed from the five aspects, namely, qualification and reputation, quality, price, delivery time and service, and they are rated as Level A, B or C. The Group has included Level A/Level B units in the scope of the "Qualified Supplier List", currently a total of 96. Each year, suppliers are evaluated to ensure that the cooperating suppliers have the corresponding production, quality, and technical capabilities to ensure our market competitiveness, and at the same time expand or narrow down the list of suppliers according to the actual condition.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.2 Analysis of Operation Management (Continued)

3.2.1 Supply Chain Management (Continued)

The inspection and acceptance of purchased products shall be performed in accordance with the "Monitoring and Measurement Control Procedures". The Group or the customer shall inspect the product quality at the supplier's source according to the contract. In the event of non-conforming products, the "Non-conforming Product Control Procedures" shall be followed. The material department of the Group fills in the "Three Systems Operation Status Table" on a quarterly basis to summarise the effectiveness of supply chain management. The content includes whether the product achieves the established quality goals, the control of the environment and occupational health and safety of the department, the control of the environment of the relevant parties, and occupational health and safety.

The results of the 2019 three-system operation quality target are as follows: 100% contract fulfillment rate of purchased products and processed products; one-time qualified rate of purchased products reached 95%; 100% qualified rate of finished products of purchased products and processed products; 100% correct rate of receipt and delivery of materials. The quality assurance rate of stored materials is 98%; the safety and timeliness rate of transportation is 98%.

In 2019, the Group has a total of 167 suppliers, most of which are selected through inquiry and comparison. They are mainly distributed in East China, accounting for 95%. Choosing suppliers in adjacent locations has a cost-effective advantage and avoids the long-distance transportation loss rate.

For the major suppliers, the Group has maintained a solid relationship with Shagang Group and Supplier A, the two major suppliers of high-carbon wire rods, for more than five years. During the cooperation period, there were no major problems such as shortages, delays and prices. Good relationship with these major suppliers ensures that we have a reliable supply of key raw materials and more competitive pricing.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.2 Analysis of Operation Management (Continued)

3.2.2 Anti-Corruption Measures

The Group has strictly complied with China's Criminal Law, Company Law, Interim Provisions on Prohibition of Commercial Bribery, Anti-Money Laundering Law, General Principles of Civil Law, Anti-Unfair Competition Law, Contract Law and other relevant laws to prevent any corruption, bribery, extortion, fraud, and money laundering. During the reporting period, the Group's violations and related enforcement and monitoring methods are as follows:

1. In order to regulate the professional behavior of all employees, the Group not only requires them to strictly abide by relevant laws and regulations, professional ethics, and company rules and regulations, but also has formulated a "Policies Concerning Employees' Possible Improper Behavior and Concerns" to prevent fraud such as bribery, extortion, fraud and money laundering.

2. The Group requires employees at all levels to act with integrity, fairness, and honesty and abide by internal control codes. We divide responsibilities and authorities scientifically and reasonably (separation of incompatible duties) to avoid abuse of power and suspected conflict of interests. For the Group's business involving customers' personal data, a confidentiality code has been established and relevant guidelines have been provided to employees to reduce the risk of data leakage.

3. All goods and materials required by the Group are purchased by the material department. The material department should conduct its job in line with the principle of saving costs for the Group while ensuring quality.

4. Employees are prohibited from accepting benefits from customers, suppliers, colleagues or others, and any activity involving conflicts of interest, bribery, extortion, fraud and money laundering is prohibited. The employee handbook clearly listed the Group's expectations and guidelines regarding the code of conduct.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.2 Analysis of Operation Management (Continued)

3.2.2 Anti-Corruption Measures (Continued)

5. The Group publicised the reporting hotline and email on the official website, and set up employee suggestion boxes in the factory area as a channel for reporting and exposing actual or suspected fraud cases. The operation department or other personnel with corresponding authority is responsible for receiving, retaining, and processing the reported information. The Group requires employees (and encourage customers/suppliers/others) to report any activity that involves any conflict of interests, extortion, bribery, fraud, and money laundering. Employees who obtained improper economic benefits due to fraud shall be terminated; if economic losses are caused to the Group, they shall indemnify the Company for such losses in accordance with relevant state regulations.

6. The financial department reviews the economic activities that occur on a regular basis every year. The Audit Committee can also conduct random inspection on the working procedures and results of the departments engaged in business activities and raise concerns about financial fraud, damage to the Company's reputation and harm to others' health and safety, etc. In addition, the Group will employ third-party agencies annually to verify the financial statements and internal controls.

In 2019, the Group did not have major litigation cases or non-compliance related to bribery, extortion, fraud and money laundering.

3.3 Product Responsibility

The Group strictly complies with laws and regulations such as the "Product Quality Law of the People's Republic of China" and "The Law of the People's Republic of China on the Protection of Consumers' Rights and Interests" and has formulated a series of normative documents in accordance with industry standards, including: "Product Quality Inspection Specifications", "Production Management System", "Product Realisation Process Control Procedures", "Production Process Management Procedures", "Technical Requirements and Acceptance Specifications for Cable Materials, Semi-finished Products", etc. The Group has industry-leading production facilities and an experienced quality control team. In order to ensure the quality of products and timely completion of customers' order output, the Group has also established a quality management system designed and certified according to ISO 9001:2008 standards. Strict quality control is implemented at all stages of the production process from production, testing, packaging to final delivery.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.3 Product Responsibility (Continued)

With strict quality control and high quality standards, the Group's products have won extensive international certification and recognition. For the prestressed materials business, the Group has passed the Japanese Industrial Standards (JIS) certification, the British Royal Accreditation Council (UKAS) certification and the South Korean Standards Association (KS) certification. These international certifications make it easier for our products to be exported these countries and enhance international customers' confidence in our products. For the cable business, our cables have undergone rigorous evaluations by internationally recognised laboratories.

The quality and safety of our products is of paramount importance to our end customers. As such, the Group has a series of perfect systems to maintain the consistency and quality of production line operations. Each stage of the production process must meet certain operating standards, and the Group's quality inspection staff will monitor and record any defects found in the product. If any non-conforming product is found during product realisation, it shall be disposed of in accordance with the relevant provisions in the "Control Procedures for Non-Conforming Product" to prevent the non-conforming product from being transferred to the next process. After the finished product is packaged, the production department is responsible for self-inspecting the finished product packaging and product identification labels according to the prescribed methods, and then the quality department conducts re-inspection of the product packaging and identification labels. All of our finished products must pass internal quality assessments (such as sample testing) before being delivered to customers. When the customer has a complaint about the product quality or a traceability requirement for the product due to other reasons, the quality department is responsible for cooperating with the customer to implement traceability. When formulating corrective measures, it must be clear what should be achieved, specific measures and plans, who is responsible for implementation, and deadlines. In order to reduce losses and increase the sense of security and trust of customers and other interested parties, we try our best that non-conformities no longer occur. In addition, the Group formulates and strictly abides by the "Control Procedure for Identification and Traceability", and identifies the purchased raw and auxiliary materials, properties provided by customers, in-process products and finished products in the whole production process to achieve the control of product responsibility traceability. During the reporting period, product responsibility related to advertising activities is not applicable to the Company's operation.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.3 Product Responsibility (Continued)

For the prestressed materials business, customers have not submitted any significant claims for any product recalls or defects, nor have any major products been returned.

For cable business, we usually set a product warranty period of one to two years to ensure that the product meets the standards. Most customers usually require a warranty of 5% to 10% of the contract value. After returning the warranty, we can provide regular inspection services for up to five years.

The Group's confidentiality system requires all employees to keep corporate secrets, that is, within a certain period of time, only a certain range of personnel knows about relevant information and project information that are not publicly disclosed by customers. The employee handbook stipulates that employees should pay attention to maintaining the Group's trade secrets and internal information, and must not disclose or improperly or illegally use company secrets learned through work convenience or other means.

As of 31 December 2019, the Group had 128 registered patents (92 from the cable business and 36 from the prestressed materials business), 7 pending patent applications for cable business and 10 pending patent applications for prestressed materials business, of which 9 patents were registered overseas. We ensure that all patent applications and management comply with legal standards and procedures, and prevent infringement of other intellectual property rights. The technical department shall strictly control the external transmission of various technical materials, shall not allow external personnel to read and copy at will, supervise the responsible persons of the relevant departments to check the technical file management and control of the department once a week, and punish those who violate the regulations.

In 2019, the Group had no major product responsibility violations or lawsuits.

3.4 Community Investment

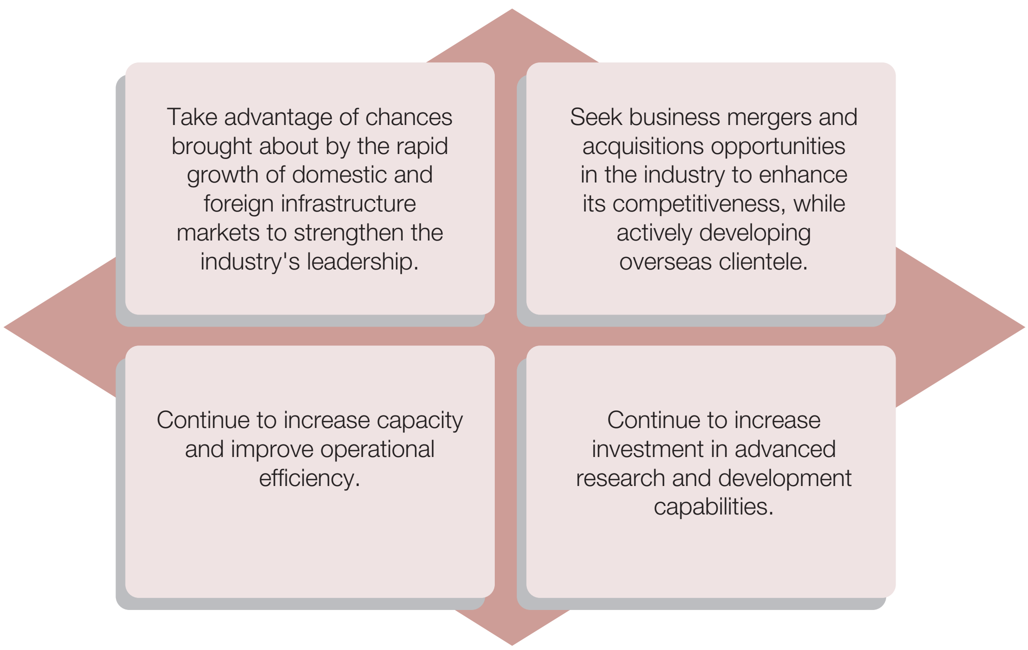
As part of the community, the Group actively invests resources in environmental protection, social services and education to support different types of social activities. While ensuring that the assignments involved in the project are completed on schedule, the Group pays close attention to maintaining a good environmental arrangement around the project site to minimise the impact on the surrounding community environment. During the reporting period, the Group did not receive any major complaints related to the project.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.4 Community Investment (Continued)

The Group has always attached great importance to caring for employees, and each year employees are given benefits on holidays such as 8 March Women's Day, Dragon Boat Festival, Mid-Autumn Festival, and Spring Festival. Through the establishment of a staff union, by fully obtaining and understanding the actual needs of employees, we provide assistance in form of funds, goods, manpower and spiritual condolences to employees, hoping to help employees who have encountered difficulties in life, work, and spirit. The Group also built a professional indoor basketball court in the factory area, which is open to the Group's employees and community organisations. The Group also actively expands the university resources, provides summer internship opportunities for the Civil Engineering College of Tongji University every year, and contributes to the cultivation of social outstanding talents.

4. FUTURE PLANS



TO THE SHAREHOLDERS OF PUJIANG INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pujiang International Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 112 to 204, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Provision for impairment of trade and retention receivables

At 31 December 2019, the Group had trade and retention receivable of RMB1,184,158,000, net of provision for impairment of RMB11,541,000, which accounted for 31.8% of the total assets. The assessment of impairment of such trade and retention receivables was considered to be a matter of significance as it required the application of judgement and use of subjective assumptions by management, and may involve material misstatement.

According to HKFRS 9, financial assets require to measure by expected credit loss ("ECL") model. In order to measure impairment of trade and retention receivables under HKFRS 9, management should use judgement, assumptions and estimation techniques in aspects such as judging significant increase in credit risk, estimating the parameters for measuring ECL and determining the forward-looking adjustments.

The accounting policies, disclosures of the allowance for impairment of trade and retention receivables and the related credit risk are included in 4(i)(ii), and note 23 to the consolidated financial statements.

Our response:

Our procedures in relation provision for impairment of trade and retention receivables included:

– Evaluated and tested the effectiveness of the design and implementation of key controls relating to approval, post approval monitoring, the credit grading management, and impairment assessment including the transition to ECL on adoption of HKFRS 9. We adopted a risk-based sampling approach in our tests of the allowances for impairment of trade and retention receivables;

– Selected samples of performing considering size, risk factors, industry trends for our tests on the measurement of impairment;

– Evaluated and tested the important parameters of the ECL model, management's major judgements and related assumptions;

– Assessing the rationality of the ECL model methodology and related parameters, including default probability, default loss rate, risk exposure, and significant increase in credit risk;

– Assessed the adequacy of the Group's disclosure of the allowance for impairment of trade and retention receivables and the related credit risk.

KEY AUDIT MATTERS (Continued)

Prepayment to suppliers

We have identified prepayments to suppliers as a key audit matter because the opening and closing balances were material which amounted to approximately RMB1,079,237,000 or 29.0% of the total assets as at 31 December 2019, and usually involved management judgement including how prepayment may be affected by the fluctuation of the market price of the raw materials.

Prepayments to suppliers in the form of prepaid prestressed products are initially classified as assets, and reclassified as purchases on subsequent utilisation upon goods received.

Our response:

Our procedures in relation to prepayment to suppliers:

– Assessing the rationality of the patterns and trends of transactions and identifying any long aged balance, and related forecast including profit forecast;

– Checking subsequent utilisation and identifying any long aged balance;

– Selected samples of performing confirmations to suppliers;

– Selected samples of checking the payment receipt to the suppliers;

– Assessing creditworthiness of the suppliers;

– Performing suppliers' interview, understanding the background of the prepayment;

– Evaluated the design and effectiveness of internal controls over the prepayment to suppliers.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659

Hong Kong, 19 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	**1,812,415**	1,383,335
Cost of sales		**(1,356,317)**	(1,056,834)
Gross profit		**456,098**	326,501
Other Revenue	8	**11,585**	11,508
Other gains and losses	9	**(17,804)**	(4,100)
Distribution costs		**(29,867)**	(19,754)
Administrative expenses		**(103,586)**	(33,321)
Research and development expenses		**(79,883)**	(53,725)
Share of losses of an associate		**(5)**	–
Finance costs	10	**(67,522)**	(54,658)
Profit before income tax expense	11	**169,016**	172,451
Income tax expense	15	**(34,666)**	(23,853)
Profit for the year		**134,350**	148,598
Attributable to:			
Owners of the Company		**99,739**	115,851
Non-controlling interests		**34,611**	32,747
		134,350	148,598
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**4,072**	(14)
Other comprehensive income for the year		**4,072**	(14)
Total comprehensive income for the year		**138,422**	148,584
Total comprehensive income for the year attributable to:			
Owners of the Company		**103,069**	115,837
Non-controlling interests		**35,353**	32,747
		138,422	148,584
		RMB	RMB
Earnings per share	16		
– Basic		**0.1390**	0.1931
– Diluted		**0.1376**	0.1931

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	18	119,107	93,618
Prepaid land lease payments – non-current portion	19	–	28,465
Intangible assets	20	–	–
Interest in Associate	21	103,995	–
Deferred tax assets	26	7,513	6,027
Deposits	24	136,735	16,694
Total non-current assets		367,350	144,804
Current assets			
Inventories	22	299,768	176,693
Trade and retention receivables	23	1,184,158	803,198
Prepayments, deposits and other receivables	24	1,259,084	1,203,214
Financial assets at fair value through profit and loss	25	88,597	–
Prepaid land lease payments – current portion	19	–	762
Restricted bank deposits	27	218,704	131,653
Cash and cash equivalents	27	307,638	61,401
Total current assets		3,357,949	2,376,921
Total assets		3,725,299	2,521,725
Current liabilities			
Trade and bills payables	28	588,077	400,249
Contract liabilities	29	82,293	46,298
Other payables and accruals		72,897	64,558
Bank borrowings	30	904,306	730,994
Amount due to a shareholder	31	–	18,730
Amounts due to related companies	31	104,000	–
Income tax payable		25,324	15,631
Lease liabilities	32	662	–
Total current liabilities		1,777,559	1,276,460
Net current assets		1,580,390	1,100,461
Total assets less current liabilities		1,947,740	1,245,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease liabilities	32	**1,712**	–
Bank borrowing	30	**42,500**	–
Total non-current liabilities		**44,212**	–
NET ASSETS		**1,903,528**	1,245,265
Capital and reserves attributable to owners of the Company			
Share capital	33	**7,138**	1
Other reserves	34	**1,615,977**	1,000,204
Equity attributable to owners of the Company		**1,623,115**	1,000,205
Non-controlling interests	35	**280,413**	245,060
TOTAL EQUITY		**1,903,528**	1,245,265

On behalf of the directors

Tang Liang
Director

Zhang Weiwen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital RMB'000 (Note 33)	Share premium RMB'000 (Note 34)	Share-based payment reserve RMB'000 (Note 34)	Capital reserve RMB'000 (Note 34)	Statutory reserve RMB'000 (Note 34)	Merger reserve RMB'000 (Note 34)	Translation reserve RMB'000 (Note 34)	Retained earnings RMB'000 (Note 34)	Total RMB'000	Non-controlling interests RMB'000 (Note 35)	Total equity RMB'000
As at 1 January 2018	–*	–	–	159,181	58,837	90,341	(8,378)	584,386	884,367	212,313	1,096,680
Issuance of share capital	1	–	–	–	–	–	–	–	1	–	1
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(14)	–	(14)	–	(14)
Profit for the year	–	–	–	–	–	–	–	115,851	115,851	32,747	148,598
Total comprehensive income for the year	1	–	–	–	–	–	(14)	115,851	115,838	32,747	148,585
Transfer from retained earnings to statutory reserve	–	–	–	–	12,840	–	–	(12,840)	–	–	–
As at 31 December 2018	1	–	–	159,181	71,677	90,341	(8,392)	687,397	1,000,205	245,060	1,245,265
As at 1 January 2019	**1**	**–**	**–**	**159,181**	**71,677**	**90,341**	**(8,392)**	**687,397**	**1,000,205**	**245,060**	**1,245,265**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**3,330**	**–**	**3,330**	**742**	**4,072**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**99,739**	**99,739**	**34,611**	**134,350**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**3,330**	**99,739**	**103,069**	**35,353**	**138,422**
Transfer from retained earnings to statutory reserve	**–**	**–**	**–**	**–**	**16,314**	**–**	**–**	**(16,314)**	**–**	**–**	**–**
Share issued pursuant to the capitalisation issue	**5,279**	**(5,279)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Share issued under share offer	**1,858**	**495,924**	**–**	**–**	**–**	**–**	**–**	**–**	**497,782**	**–**	**497,782**
Share of listing expenses	**–**	**(25,629)**	**–**	**–**	**–**	**–**	**–**	**–**	**(25,629)**	**–**	**(25,629)**
Granted of share options	**–**	**–**	**47,688**	**–**	**–**	**–**	**–**	**–**	**47,688**	**–**	**47,688**
Balance at 31 December 2019	**7,138**	**465,016**	**47,688**	**159,181**	**87,991**	**90,341**	**(5,062)**	**770,822**	**1,623,115**	**280,413**	**1,903,528**

* *Represents amount less than RMB1,000.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before income tax expense	**169,016**	172,451
Adjustments for:		
Amortisation of prepaid land lease payments	**–**	763
Depreciation of property, plant and equipment	**8,581**	8,855
Depreciation of right-of-use assets	**1,472**	–
Share of losses of an associate	**5**	–
Finance costs	**67,522**	54,658
Equity settled share-based payment	**47,688**	–
Fair value gain on financial asset at fair value through profit and loss	**(348)**	–
Impairment loss recognised on trade and retention receivables	**11,541**	3,915
Impairment loss (reversal)/recognised on deposits and other receivables	**(540)**	190
Interest Income	**(3,118)**	(4,968)
Loss on disposal of property, plant and equipment	**6**	14
Operating profit before working capital changes	**301,825**	235,878
Increase in inventories	**(123,075)**	(39,276)
Increase in trade and retention receivables	**(392,501)**	(262,069)
Increase in prepayments, deposits and other receivables	**(175,371)**	(245,706)
Increase in trade and bills payables	**187,828**	166,350
Increase in contract liabilities	**35,995**	5,740
Increase in deposits received, other payables and accruals	**8,339**	16,894
Cash used in operations	**(156,960)**	(122,189)
Income taxes paid	**(26,460)**	(15,139)
Net cash used in operating activities	**(183,420)**	(137,328)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 RMB'000	2018 RMB'000
Cash flows from investing activities		
Purchases of property, plant and equipment	**(3,313)**	(3,259)
Purchases of financial asset at fair value through profit and loss	**(88,249)**	–
Proceeds from disposal of property, plant and equipment	**–**	41
Increase in restricted bank deposits	**(87,051)**	(20,933)
Interest received	**3,118**	4,968
Net cash used in investing activities	**(175,495)**	(19,183)
Cash flows from financing activities		
Proceeds from bank borrowings	**373,651**	510,642
Repayment of bank borrowings	**(157,950)**	(263,085)
Payment of lease liabilities	**(779)**	–
Share issue expenses	**(25,629)**	–
Interest paid	**(67,265)**	(49,906)
(Decrease)/increase in amount due to a shareholder	**(18,730)**	6,701
Proceeds from issuance of shares	**497,782**	–
Net cash generated from financing activities	**601,080**	204,352
Net increase in cash and cash equivalents	**242,165**	47,841
Cash and cash equivalents at the beginning of year	**61,401**	13,571
Effect of exchange rate changes on cash and cash equivalents	**4,072**	(11)
Cash and cash equivalents at the end of year	**307,638**	61,401
Analysis of the balances of cash and cash equivalents:		
Cash and cash equivalents	**307,638**	61,401

1. GENERAL

Pujiang International Group Limited ("the Company") was incorporated in the Cayman Islands on 26 April 2017, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is 16/F., No. 518 Shangcheng Road, Shanghai, the People's Republic of China (the "PRC"). The Company is an investment holding company and the Group is principally engaged in manufacture, installation and sales of customised prestressed steel materials and cables. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 28 May 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

(i) Impact of the adoption of HKFRS 16 (Continued)

The Group has applied HKFRS 16 using the cumulative effect approach. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB'000
Statement of financial position as at 1 January	
Right-of-use assets presented in property, plant and equipment	32,235
Lease liabilities (non-current)	2,374
Lease liabilities (current)	633

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	3,616
Less: future interest expenses	609
Total lease liabilities as of 1 January 2019	3,007

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 5.94%.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected to apply the practical expedient to the assessment of which transactions are leases. It applied HKFRS 16 only to contract that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

(iii) Accounting as a lessee (Continued)

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at depreciated cost. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

(iii) Accounting as a lessee (Continued)

Lease liability (Continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

(iv) Transition (Continued)

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group also has prepaid lease payments which previously were classified as financial lease under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those prepaid lease payments under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(a) Adoption of new/revised HKFRSs – effective 1 January 2019 (Continued)

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2020

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

(b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Historical financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The Historical financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company. All values in the Historical Financial Information are rounded to the nearest thousand except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Business combination and basis of consolidation (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Property, Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the year. The principal annual rates are as follows:

Buildings	Shorter of 2% – 10% or period of the lease term
Leasehold improvement	5% – 20%
Machineries	5% – 50%
Furniture and equipment	5% – 33.3%
Motor vehicles	20% – 25%
Construction in progress	Nil

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Prepaid land lease payments

Upfront payments made to acquire land for own use under operating lease is stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease as an expense except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

(f) Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at depreciated cost. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leasing (accounting policies applied from 1 January 2019) (Continued)

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(g) Leasing (accounting policies applied until 31 December 2018)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets (other than goodwill)

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Technology know-how	5 years

(i) Financial Instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(i) *Financial assets* (Continued)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(iii) Financial liabilities (Continued)

Financial liabilities at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Financial Instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method or specific cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

(k) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenue recognition (Continued)

(i) Sales of customised prestressed steel materials and cables

There is only single performance obligation included in the contract, which is the transfer of goods from the Group to the customers. Customers would obtain the control of the goods at the point of transfer. As a result, such kind of revenue is recognised at a point in time when the single performance obligation is satisfied, i.e when the goods is transferred to the customers.

(ii) Provision for installation services

There is also only single performance obligation included in the contract, which is the provision of the installation service to customers.

For both performance obligations mentioned above, customers were granted the right to reject the materials or services with unsatisfactory quality when check on delivery or upon completion of the installation. The Group would then make modifications to tailor the specific needs of the customers immediately until they were satisfied. Therefore, the variable consideration, especially the right of return, is not applicable as stated in the contract and no refund liability should be recognised. Besides that, no refunds of consideration paid nor credit on outstanding receivables or product in exchange were allowed. As the sales are specified based on the sales contract, no exchange is applicable in the Group.

There are warranties built into the installation contracts. The warranties are assurance services and no performance obligation is identified.

Contract liabilities

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(l) Other income

Bank and other interest income in other revenue is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the combined statement of financial position and transferred to profit or loss over the useful live of the related assets.

(n) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(o) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Foreign currency (Continued)

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renmenbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(p) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- prepaid land lease payments;
- intangible assets; and
- interest in an associate

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(r) Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within one year when acquired, which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply: (Continued)

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

(u) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

(i) Timing of satisfaction of performance obligations

Note 4(k) describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgement by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgements, the directors of the Company considered the detailed criteria for recognition of revenue set out in HKFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgments in applying accounting policies (Continued)

(i) Timing of satisfaction of performance obligations (Continued)

For the sales of customised prestressed steel materials and cables, the directors of the Company have assessed that the Group has a present right to payment from the customers for the goods transferred at a point in time upon finalisation, delivery and acceptance of the deliverable units. Therefore, the directors of the Company have satisfied that the performance obligations of the sales of customised prestressed steel materials and cables are satisfied at a point in time and recognised the relevant revenue at a point in time.

For the provision of installation services, the directors of the Company have assessed that the Group has an enforceable right to payment for the performance completed to date and does not create an alternative use for service provided. Therefore, the directors of the Company have satisfied that the performance obligations of the provision of the installation service are satisfied over time and recognised the relevant revenue over time.

(ii) Income tax and deferred tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(iii) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method or specific cost method. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimation at each reporting date to ensure inventories are shown at the lower of cost and net realisable value.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(a) Critical judgments in applying accounting policies (Continued)

(iv) Impairment of trade and retention receivables, prepayment, deposits and other receivables

The Group estimates impairment losses of trade and retention receivables, prepayment, deposits and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4(i)(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(v) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful live are less than previously estimated lives. It will write-off or written down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic view could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

6. SEGMENT INFORMATION

Operating segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Cables

  provision of manufacture, installation and sale of cables

- Prestressed steel materials

  provision of manufacture and sale of customised prestressed steel materials

Inter-segment transactions are priced with reference to prices charged to external parties for similar order.

(a) Segment revenue and results

For the year ended 31 December 2018

	Cables RMB'000	Prestressed steel materials RMB'000	Elimination RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Revenue to external customers	518,797	864,538	–	1,383,335	–	1,383,335
Segment profit/(loss) before income tax expenses	87,624	91,190	–	178,814	(6,363)	172,451

For the year ended 31 December 2019

	Cables RMB'000	**Prestressed steel materials RMB'000**	**Elimination RMB'000**	**Segment total RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Revenue to external customers	**883,523**	**928,892**	**–**	**1,812,415**	**–**	**1,812,415**
Segment profit/(loss) before income tax expenses	**134,755**	**98,246**	**–**	**233,001**	**(63,985)**	**169,016**

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2019 RMB'000	2018 RMB'000
Segment assets		
Cables	2,090,992	1,402,315
Prestressed steel materials	1,172,961	1,054,528
Segment assets	3,263,953	2,456,843
Unallocated	461,346	64,882
Total assets	3,725,299	2,521,725

	2019 RMB'000	2018 RMB'000
Segment liabilities		
Cables	1,448,079	975,245
Prestressed steel materials	288,689	275,126
Segment liabilities	1,736,768	1,250,371
Unallocated	85,003	26,089
Total liabilities	1,821,771	1,276,460

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

(c) *Other segment information included in segment profit or segment assets*

For the year ended 31 December 2018

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	4,168	799	4,968	–	4,968
Government grants	5,127	1,296	6,423	–	6,423
Finance costs	44,214	10,444	54,658	–	54,658
Income tax expenses	11,786	12,067	23,853	–	23,853
Amortisation of prepaid land lease payments	146	617	763	–	763
Depreciation of property, plant and equipment	5,222	3,633	8,855	–	8,855
Impairment loss recognised on trade and retention receivables	3,130	785	3,915	–	3,195
Impairment loss (reversed)/recognised on deposits and other receivables	(897)	2	(895)	–	(895)
Additions to non-current assets	2,780	479	3,259	–	3,259
Loss on disposal of property, plant and equipment	(14)	–	(14)	–	(14)

For the year ended 31 December 2019

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	919	850	1,769	1,349	3,118
Government grants	4,291	2,558	6,849	–	6,849
Finance costs	52,380	15,134	67,514	8	67,522
Income tax expenses	21,618	13,048	34,666	–	34,666
Depreciation of right-of-use assets	855	617	1,472	–	1,472
Share of loss of associate	5	–	5	–	5
Depreciation of property, plant and equipment	5,023	3,558	8,581	–	8,581
Impairment loss recognised on trade and retention receivables	9,266	2,275	11,541	–	11,541
Impairment loss reversal on deposits and other receivables	(540)	–	(540)	–	(540)
Additions to non-current assets	2,396	917	3,313	–	3,313
Loss on disposal of property, plant and equipment	(6)	–	(6)	–	(6)

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

(d) Geographical information and major customers

The Group's revenue from external customers is derived mainly from its operations in the PRC, where all its non-current assets are located. Over 90% of the Group's revenue is from external customers in the PRC during both years.

(e) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2019 RMB'000	2018 RMB'000
Customer A[1]	204,400	*[2]

Notes:

[1] Revenue from sales of prestressed steel materials.

[2] Less than 10% of the Group's revenue.

7. REVENUE

Revenue represents the net invoiced value of goods sold or services rendered and earned by the Group.

All the Group's revenue is derived from contracts with customers.

The principal activities of the Group are the manufacturing and sale of cables, customised prestressed steel materials and providing installation services for others. Further details regarding the group's principal activities are disclosed in note 6.

	2019 RMB'000	2018 RMB'000
Manufacture, installation and sale of cables	883,523	518,797
Manufacture and sale of customised prestressed steel materials	928,892	864,538
	1,812,415	1,383,335

The following table provides information about trade and retention receivables and contract liabilities from contracts with customers.

	2019 RMB'000	2018 RMB'000
Trade and retention receivables	1,184,158	803,198
Contract liabilities	82,293	46,298
	1,266,451	849,496

7. REVENUE (Continued)

Details of contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Contract liabilities	82,293	46,298

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increase as a result of the growth of the Group's business.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period is brought forward contract liabilities.

The Group has recognised the following revenue-related contract liabilities:

	For the year ended	
	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Manufacture, installation and sale of cables	17,026	9,434
Manufacture and sale of customised prestressed steel materials	470	3,462
	17,496	12,896

7. REVENUE (Continued)

Timing of revenue recognition

The following amounts represent revenue recognised over time and at a point in time:

At a point in time

	2019 RMB'000	2018 RMB'000
Sales of customised prestressed steel materials and cables	1,802,214	1,371,757

Over time

	2019 RMB'000	2018 RMB'000
Provision of installation services	10,201	11,578

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 4.

Unsatisfied performance obligations

As at 31 December 2018 and 2019, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) were approximately RMB323,014,000 and RMB689,156,000 respectively. Management expects that the unsatisfied performance obligations at each reporting date will be recognised as revenue in the subsequent one to three years based on the contract period and the timing of the transfer of those goods and services is at the discretion of the customers.

8. OTHER REVENUE

	2019 RMB'000	2018 RMB'000
Bank and other interest income	3,118	4,968
Government grants (note i)	6,849	6,423
Investment income (note ii)	1,612	–
Sundry income	6	117
	11,585	11,508

Note:

(i) Government grants mainly represent grants received from the PRC local government authority as subsidies to the Group for (a) incentive of technology innovation projects and (b) subsidy for financing.

(ii) Investment income mainly represent the dividend income received from the investment in financial instrument at fair value through profit or loss, which names as CEL Kaisa Dynamic Bond Feeder Fund.

9. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Exchange (losses)/gain, net	(6,629)	19
Loss on disposal of property, plant and equipment	(6)	(14)
Impairment loss recognised on trade and retention receivables	(11,541)	(3,915)
ECL recognised on deposits and other receivables	540	(190)
Gain on financial asset at fair value through profit or loss	348	–
Others	(516)	–
	(17,804)	(4,100)

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank loans and other borrowings	67,006	54,658
Interest on lease liabilities	146	–
Handling fee	370	–
	67,522	54,658

11. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting):

	2019 RMB'000	2018 RMB'000
Cost of inventories sold (note i)	**1,356,317**	1,056,834
Auditor's remuneration	**654**	1,079
Minimum lease payments for lease previously classified as operating lease under HKAS17	**794**	755
Employee costs (note 12)	**79,762**	31,784
Depreciation charge:		
– Property, plant and equipment	**8,581**	8,855
– Right of use assets	**1,472**	–
Impairment loss on trade and retention receivables	**11,541**	3,915
(Reversal)/impairment loss on deposit and other receivables	**(540)**	190
Interest on lease liabilities	**146**	–
Equity settled share-based payment	**10,122**	–
Listing expenses – HKEX	**12,419**	6,245

Note:

(i) Cost of inventory sold for the year ended 31 December 2019 includes RMB40,846,000 (2018: RMB46,905,000) of staff costs, depreciation, subcontracting fee, provision of obsolete stock and other manufacturing overheads which are also included in the respective total amounts disclosed above for each of these types of expenses.

12. EMPLOYEE COSTS

	2019 RMB'000	2018 RMB'000
Employee costs (including directors (note 13)) comprise:		
Wages and salaries	**33,051**	22,599
Contributions on defined contribution retirement plans	**5,883**	6,262
Other long-term employee benefits	**3,262**	2,923
Share-based payment expenses – equity settled	**37,566**	–
	79,762	31,784

13. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) (the Regulation) is as follows:

	Year ended 31 December 2019				
	Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Equity-settled share-based payments	Total emoluments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Dr. Tang Liang	–	–	–	–	–
Mr. Zhou Xufeng	–	600	33	2,512	3,145
Ms. Zhang Weiwen	–	138	–	–	138
Mr. Ni Xiaofeng	–	204	56	1,296	1,556
	–	942	89	3,808	4,839
Independent non-executive directors:					
Ms. Pan Yingli	158	–	–	–	158
Mr. Chen Dewei	158	–	–	–	158
Mr. Zhang Bihong	158	–	–	–	158
	474	–	–	–	474
	474	942	89	3,808	5,313

13. DIRECTORS' EMOLUMENTS (Continued)

	Year ended 31 December 2018				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits scheme RMB'000	Equity-settled share-based payments RMB'000	Total emoluments RMB'000
Executive directors:					
Dr. Tang Liang	–	–	–	–	–
Mr. Zhou Xufeng	–	50	2	–	52
Ms. Zhang Weiwen	–	–	–	–	–
Mr. Ni Xiaofeng	–	–	–	–	–
	–	50	2	–	52
Independent non-executive directors:					
Ms. Pan Yingli	–	–	–	–	–
Mr. Chen Dewei	–	–	–	–	–
Mr. Zhang Bihong	–	–	–	–	–
	–	–	–	–	–
	–	50	2	–	52

Notes:

i. Mr. Zhou Xufeng is also the Chief Executive Officer of the Company and appointed as executive director on 12 November 2018.

ii. Ms. Zhang Weiwen and Mr. Ni Xiaofeng were being appointed as executive director on 12 November 2018.

iii. Ms. Pan Yingli, Mr. Chen Dewei and Mr. Zhang Bihong were being appointed as independent non-executive director on 24 April 2019.

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included one (2018: one) director for the year ended 31 December 2019, whose emoluments are reflected in note 13.

	2019	2018
	RMB'000	RMB'000
Salaries and other benefits	**1,230**	597
Contributions to retirement benefits schemes	**174**	231
	1,404	828

Their emoluments were within the following bands:

	2019	2018
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**4**	4

The emoluments paid or payable to members of senior management were within the following bands:

	2019	2018
	No. of individuals	No. of individuals
Nil to HK$1,000,000	**4**	4

15. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 RMB'000
Current tax – PRC Enterprise Income Tax (the "PRC EIT")		
– for the year	37,512	23,459
– (over)/under provision in respect of prior years	(1,360)	758
	36,152	24,217
Deferred tax (note 26)		
– for the year	(1,486)	(364)
Income tax expense	34,666	23,853

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company incorporated in the Cayman Islands and the Company's subsidiaries incorporated in British Virgin Islands are not subject to any income tax.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the following subsidiaries.

Ossen Innovation Materials Co., Limited, Ossen (Jiujiang) Innovation Materials Co., Ltd, Shanghai Pujiang Cable Co., Limited and Zhejiang Pujiang Cable Co., Limited are recognised as a High and New-Tech enterprises according to the PRC tax regulations and are entitled to a preferential tax rate of 15% for the year.

15. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax expense	169,016	172,451
Tax calculated at the applicable statutory tax rate of 25% (2018: 25%)	42,254	43,112
Expenses not deductible for tax purposes	23,091	2,519
Effect of tax exemptions granted to PRC subsidiaries	(23,334)	(17,245)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(5,784)	(5,291)
Utilisation of unrecognised tax loss	(201)	–
(Over)/under provision in respect of prior years	(1,360)	758
Income tax expense	34,666	23,853

The weighted average applicable tax rate was 20.5% (2018: 13.8%) for the year ended 31 December 2019.

16. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of RMB99,739,000 (2018: RMB115,851,000). The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2019 includes the weighted average number of shares issued pursuant to the share offer (note 33) of 717,771,067 shares. The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 has been determined based on the assumption that the share issuance of 168,760 shares and capitalisation issue of 559,831,240 shares are deemed to be effective on 1 January 2018 (note 33).

16. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company of RMB99,739,000 (2018: RMB115,851,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and diluted shares from share option scheme (note 40). No corresponding diluted earnings per share was presented as there were no potential ordinary shares in issue during the year ended 31 December 2018.

The calculations of basic and diluted earnings per share are based on:

	2019 RMB'000	2018 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	99,739	115,851

	Number of shares 2019	Number of shares 2018
Number of Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	717,771,067	600,000,000
Effect of dilution – weighted average number of ordinary shares: Share Option	6,895,921	N/A
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	724,666,988	600,000,000

17. DIVIDENDS

No dividend has been paid or declared by the Company during both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings RMB'000	Leasehold improvement RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Furniture and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2018	114,818	2,445	121,494	5,770	25,052	–	269,579
Additions	–	–	2,294	281	638	46	3,259
Disposals	–	–	(449)	(213)	(322)	–	(984)
At 31 December 2018 as originally presented	114,818	2,445	123,339	5,838	25,368	46	271,854
Initial application of HKFRS16	32,235	–	–	–	–	–	32,235
Restated balance as at 1 January 2019	**147,053**	**2,445**	**123,339**	**5,838**	**25,368**	**46**	**304,089**
Addition	**–**	**–**	**1,662**	**272**	**1,290**	**89**	**3,313**
Transfer to investment property	**135**	**–**	**–**	**–**	**–**	**(135)**	**–**
Disposals	**–**	**–**	**–**	**(111)**	**–**	**–**	**(111)**
At 31 December 2019	**147,188**	**2,445**	**125,001**	**5,999**	**26,658**	**–**	**307,291**
Accumulated depreciation							
At 1 January 2018	43,840	1,950	98,915	4,700	20,905	–	170,310
Provided for the year	3,650	66	3,947	255	937	–	8,855
Eliminated on disposals	–	–	(403)	(205)	(321)	–	(929)
At 31 December 2018	**47,490**	**2,016**	**102,459**	**4,750**	**21,521**	**–**	**178,236**
Provided for the year	**5,110**	**65**	**3,688**	**318**	**872**	**–**	**10,053**
Eliminated on disposals	**–**	**–**	**–**	**(105)**	**–**	**–**	**(105)**
At 31 December 2019	**52,600**	**2,081**	**106,147**	**4,963**	**22,393**	**–**	**188,184**
Net book value							
At 31 December 2019	**94,588**	**364**	**18,854**	**1,036**	**4,265**	**–**	**119,107**
At 31 December 2018	67,328	429	20,880	1,088	3,847	46	93,618

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2019, the Group's land and buildings and leasehold improvement with an aggregate carrying amount of approximately RMB59,186,000 (2018: RMB62,121,000) respectively were pledged to secure banking facilities granted to the Group (Note 30).

Right-of-Use assets	**Land and buildings** HK$
At 1 January 2019	32,235
Amortisation	(1,472)
At 31 December 2019	30,763

19. PREPAID LAND LEASE PAYMENTS

	2019 RMB'000	2018 RMB'000
At 31 December as originally presented	**29,227**	29,990
Initial application of HKFRS 16 (note 2(a))	**(29,227)**	–
At 1 January	**–**	29,990
Additions	**–**	–
Disposals	**–**	–
Amortised during the year	**–**	(763)
	–	29,227
Represented by:		
Current portion	**–**	762
Non-current portion	**–**	28,465
	–	29,227

At 31 December 2018, the Group's leasehold land with an aggregate carrying amount of approximately RMB20,708,000 was pledged to secure banking facilities granted to the Group (Note 30).

20. INTANGIBLE ASSETS

	Technology know-how RMB'000
Cost	
At 1 January 2018, 31 December 2018 and 2019	6,250
Accumulated depreciation	
At 1 January 2018, 31 December 2018 and 2019	6,250
Net book value	
At 31 December 2019	–
At 31 December 2018	–

21. INTEREST IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Share of net assets other than goodwill	13,528	–
Goodwill	90,467	–
	103,995	–

Details of the Group's associate are as follows.

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ profit share
Shanghai Push Medical Device Technology Co., Limited	Developing the technology of, manufacturing and sales of medical equipment in the PRC	26%

21. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of associate:

Shanghai Push Medical Device Technology Co., Limited

	2019 RMB'000
As at 31 December	
Current assets	48,748
Non-current assets	5,931
Current liabilities	(2,082)
Non-current liabilities	(565)
Net assets	52,032
Group's share of the net assets of the associate	13,528
Year ended 31 December	
Revenues	11,113
Profit or loss from continuing operations	(11,133)
Total comprehensive income	(21)

22. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	221,203	109,615
Work-in-progress	66,564	31,819
Finished goods	12,836	36,094
	300,603	177,528
Less: provision for impairment on inventories	(835)	(835)
	299,768	176,693

23. TRADE AND RETENTION RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	1,125,781	757,035
Retention receivables	92,430	68,675
Less: impairment loss on trade and retention receivables	(34,053)	(22,512)
	1,184,158	803,198

The Group grants a credit period within 0-90 days to its trade customers. Included in trade and retention receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on the payment due dates, as of the year end.

	2019 RMB'000	2018 RMB'000
Neither past due nor impaired	430,524	209,844
Less than 3 months past due	221,571	254,894
3 – 6 months past due	202,121	163,362
7 – 12 months past due	121,883	88,778
More than 1 year past due but less than 2 years past due	163,714	48,103
More than 2 years past due but less than 3 years past due	25,701	31,161
More than 3 years past due but less than 4 years past due	17,270	2,443
More than 4 years past due but less than 5 years past due	1,374	4,613
	1,184,158	803,198

Trade and retention receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

23. TRADE AND RETENTION RECEIVABLES (Continued)

The Group recognised impairment loss based on the accounting policy stated in note 4(i)(ii).

The Group had a concentration of credit risk as certain of the Group's trade receivables were due from the Group's five largest customers as detailed below.

	2019	2018
	RMB'000	RMB'000
Five largest customers	**372,593**	241,242

Movements in the impairment loss are as follows:

	2019	2018
	RMB'000	RMB'000
Balance at beginning of the year	**22,512**	18,597
Impairment loss recognised on trade and retention receivables	**11,541**	3,915
	34,053	22,512

As 31 December 2018 and 2019, the Group's certain trade and retention receivables were pledged to secure banking facilities granted to the Group (Note 30).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Prepayments	1,088,623	961,749
Deposits	303,830	261,361
Other receivables	9,980	3,952
Less: impairment loss on deposits and other receivables	(6,614)	(7,154)
	1,395,819	1,219,908
Less:		
Deposits (non-current)	(136,735)	(16,694)
	1,259,084	1,203,214

Prepayments, deposits and other receivables under current portion as at 31 December 2019 were neither past due nor impaired relate to customers for whom there is no recent history of default. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no history of default and are expected to be realised upon their respective expiry dates.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2019 RMB'000	2018 RMB'000
Equity investment measured at FVTPL	88,597	–

Note:

On 2 July 2019, the Group acquire USD12,650,000 of the investment fund in China Everbright Asset Management Limited. The equity investment was irrevocably designed at fair value through profit and loss as the Group considers this investment to be trade in nature.

26. DEFERRED TAX ASSETS

	Accrued expenses RMB'000	Others (Note i) RMB'000	Total RMB'000
At 1 January 2018	1,704	3,959	5,663
Charged to profit for the year	1,097	(733)	364
At 31 December 2018 and 1 January 2019	2,801	3,226	6,027
Charged to profit for the year	2,377	(891)	1,486
At 31 December 2019	5,178	2,335	7,513

Note:

(i) The amount represents mainly deferred tax assets arising from provision for impairment loss of trade and retention receivables, deposit and other receivables at the amounts of RMB22,512,000 and RMB6,070,000 respectively as at 31 December 2018 and at the amounts of RMB34,053,000 and RMB6,614,000 respectively as at 31 December 2019.

(ii) Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

As at the end of year, no deferred tax liability has been recognised for withholding taxes that would be payable on the undistributed earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. The temporary differences associated with investment in subsidiaries in PRC for which deferred tax liabilities have not been recognised for the impact of dividend withholding tax.

In the opinion of the directors, the Group does not have a dividends policy and the undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that the subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

27. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances (Note (a))	526,342	193,054
Less: restricted bank deposits (Note (b))	(218,704)	(131,653)
Cash and cash equivalents	307,638	61,401

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Note:

(a) At 31 December 2019, the Group's cash and bank balances denominated in RMB amounted to approximately RMB218,980,000 (2018: RMB192,547,000) respectively were not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

All domestic and overseas cash transactions of more than RMB200,000 have to be reported to the State Administration of Foreign Exchange.

On 31 December 2016, the People's Bank of China issued Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions, under the new rules, starting from 1 July 2017, banks and other financial institutions in the PRC will have to report all domestic and overseas cash transactions of more than RMB50,000.

(b) At 31 December 2019, the Group pledged its bank deposits in order to fulfil collateral requirements for bills payables (Note 30), letter of credit and demand guarantee.

28. TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**188,357**	56,317
Bills payable	**399,720**	343,932
	588,077	400,249

An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	**144,085**	37,247
Within 4 – 6 months	**16,012**	4,054
Within 7 – 12 months	**13,389**	8,851
More than 1 year but less than 2 years	**11,196**	3,131
More than 2 years but less than 3 years	**964**	417
More than 3 years but less than 4 years	**376**	305
More than 4 years but less than 5 years	**387**	187
Over 5 years	**1,948**	2,125
	188,357	56,317

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 90 days.

All the bills payables of the Group were not yet due at the end of the reporting period.

As at 31 December 2019, bills payable of RMB174,130,000 (2018: RMB170,710,000) were secured by the Group's restricted bank deposits of RMB85,620,000 (2018: RMB69,220,000) (Note 30).

29. CONTRACT LIABILITIES

Movements in contract liabilities:	**2019** **RMB'000**	2018 RMB'000
Balance as at 1 January	**46,298**	40,556
Decrease in contract liabilities as a result of recognising revenue	**(17,496)**	(12,896)
Increase in contract liabilities as a result of payment in advance from customers	**53,491**	18,638
Balance at 31 December	**82,293**	46,298

The contract liabilities mainly relate to the advance consideration received from customers.

30. BANK BORROWINGS

	2019 **RMB'000**	2018 RMB'000
Current		
Secured interest-bearing		
– short-term bank loans	**904,306**	730,994
Non-current		
Secured interest-bearing		
– long-term bank loans	**42,500**	–
	946,806	730,994

At 31 December, total current and non-current bank loans were scheduled to be repaid as follows:

	2019 **RMB'000**	2018 RMB'000
On demand or within one year	**904,306**	730,994
More than two years, but not exceeding five years	**42,500**	–
	946,806	730,994

30. BANK BORROWINGS (Continued)

The bank borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 0.08% to 8.80% (2018: from 0.04% to 8.00%) at 31 December 2019.

The bank loans are secured by:

(a) certain buildings, leasehold improvement and machineries included in property, plant and equipment (Note 18), prepaid land lease payments (Note 19) and trade and retention receivables (Note 23);

(b) personal guarantees executed by Dr. Tang Liang, a director of the Company, and corporate guarantees given by independent third parties and Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) Innovation Materials Co., Ltd, Shanghai Ossen Investment Holdings (Group) Co. Limited, Shanghai Ossen Investment Co. Limited, Ossen Innovation Materials Co. Limited, Shanghai Innovation Material Technology Research Institute Company Limited and Shanghai Pujiang Cable Co., Limited, Shanghai New Materials Industry Technology Research Institute Co Ltd and Pujiang International Group Limited.

31. AMOUNTS DUE TO A SHAREHOLDER/RELATED COMPANIES

As at 31 December 2018 and 2019, the amounts due to a shareholder and related companies are unsecured, interest-free and repayable on demand.

32. LEASES

HKFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 2(a). The accounting polices applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 4(f).

(a) Nature of leasing activities (in the capacity as lessee)

The Group leased its office premises in the jurisdictions from which it operates under operating leases with terms of three to ten years. The periodic rent of the operating leases is fixed over the lease term.

31 December 2019	**Lease contracts**	**Fixed payments RMB'000**
Property leases with fixed payments	2	3,616

32. LEASES (Continued)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Ownership interests in leasehold land, carried at depreciated cost with remaining lease term of:		
– 50 years or more	28,465	29,227
Other properties leased for own use, carried at depreciated cost	2,298	3,007

(c) Lease liabilities

	RMB'000
At 1 January 2019 (Note 2(a))	3,007
Interest expenses	146
Lease payments	(779)
At 31 December 2019	2,374

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 5.94%.

32. LEASES (Continued)

(c) Lease liabilities (Continued)

Future lease payments are due as follows:

At 31 December 2019	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	785	(123)	662
Later than one year and not later than two years	2,051	(339)	1,712
	2,836	(462)	2,374

At 1 January 2019	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	779	(146)	633
Later than one year and not later than two years	2,837	(463)	2,374
	3,616	(609)	3,007

The present value of future lease payments are analysed as:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Current liabilities	662	633
Non-current liabilities	1,712	2,374
	2,374	3,007

32. LEASES (Continued)

(d) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019 RMB'000	2018 RMB'000
Depreciation of right-of-use assets in respect of land and buildings (included in administrative expenses)	1,471	–
Interest expense (included in finance costs)	146	–

(e) Comparative information under HKAS 17

Operating leases – as lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable by the Group are as follows:

	2018 RMB'000
Within one year	779
In the second to fifth years	1,769
Over five years	1,068
	3,616

33. SHARE CAPITAL

Details of the share capital of the Company are as follows:-

	Share capital	
	Number	RMB'000
Issued and fully paid		
At 1 January 2018	1	–*
Share issuance (Note (a) to (f))	168,759	1
At 31 December 2018	168,760	1
Capitalisation issue (Note (g))	599,831,240	5,279
Share issuance (Note (h) to (i))	211,044,000	1,858
At 31 December 2019	811,044,000	7,138

Notes

(a): On 28 June 2018, 79,695 ordinary shares of HK$0.01 was allotted and issued by the Company;

(b): On 4 July 2018, 5,804 ordinary shares of HK$0.01 was allotted and issued by the Company;

(c): On 3 September 2018, 17,412 ordinary shares of HK$0.01 was allotted and issued by the Company;

(d): On 21 September 2018, 9,122 ordinary shares of HK$0.01 was allotted and issued by the Company;

(e): On 28 September 2018, 2,322 ordinary shares of HK$0.01 was allotted and issued by the Company;

(f): On 2 October 2018, 54,404 ordinary shares of HK$0.01 was allotted and issued by the Company.

(g): On 28 May 2019, the Company issued a total of 559,831,240 ordinary shares by way of capitalising an amount of HK$5,998,312.40 from the share premium account of the Company (the "Capitalisation issue") arising from global offering.

(h): On 28 May 2019, 200,000,000 ordinary shares of HK$0.01 was allotted and issued by the Company.

(i): On 25 June 2019, 11,044,000 ordinary shares of HK$0.01 were allotted and issued by the Company.

* Represents amount less than RMB1,000.

34. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the year are set out in the consolidated statements of changes in equity.

(b) The Company

The movement in the reserves of the Company is presented below:

	Share premium RMB'000	Share-based payment reserves RMB'000	Translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2018	–	–	–	(8,614)	(8,614)
Loss for the year	–	–	–	(6,245)	(6,245)
As at 31 December 2018 and 1 January 2019	–	–	–	(14,859)	(14,859)
Issuance of share capital	495,924	–	–	–	495,924
Share issued pursuant to capitalisation issue	(5,279)	–	–	–	(5,279)
Share issue expenses	(25,629)	–	–	–	(25,629)
Equity settled share-based transactions	–	47,688	–	–	47,688
Exchange difference arising on translation of foreign operations	–	–	6,337	–	6,337
Loss for the year	–	–	–	(61,551)	(61,551)
	465,016	47,688	6,337	(76,410)	442,631

34. RESERVES (Continued)

(c) The following describes the nature and purpose of each reserve within owner's equity:

Type of reserves	Description and purpose
Share premium	Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay of its debts as they fall due in the ordinary course of business.
Share-based payment reserve	The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(p) to the consolidated financial statements. (i) Capital reserve capital injection in excess of registered capital of Shanghai Pujiang Cable Co., Limited, Ossen Innovation Materials Co., Limited and Ossen (Jiujiang) Innovation Materials Co., Ltd. (ii) an amount due to Ossen Innovation Co., Ltd.("OSN") which originally owns 100% equity interests of Topchina Development Group Ltd. ("Topchina") that such liability would be waived and regarded as capital contribution when the Reorganisation and the carve-out of Topchina from OSN were completed, and the whole liability would be deemed as capital reserve as if it occurred for the year.
Statutory reserve	Pursuant to relevant laws and regulations in the PRC, it is required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to a reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.
Merger reserve	It represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of PRC subsidiaries acquired pursuant to the Group Reorganisation.
Translation reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Retained earnings	Cumulative net gains and loss recognised in profit and loss.

35. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	2019	2018
Shanghai Pujiang Cable Co., Limited and its subsidiaries ("PJ Group")	1.48%	1.48%
Ossen Innovation Materials Co., Limited	46.62%	46.62%
Ossen (Jiujiang) Innovation Materials Co., Ltd	36.67%	36.67%

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

PJ Group	2019 RMB'000	2018 RMB'000
For the year ended 31 December		
Revenue	883,523	518,797
Profit for the year	113,137	76,906
Total comprehensive income	113,137	76,906
Profit allocated to NCI	1,674	1,146
For the year ended 31 December		
Cash flows from operating activities	(31,571)	(136,502)
Cash flows from investing activities	(46,844)	(18,490)
Cash flows from financing activities	59,666	200,950
Net cash (outflows)/inflows	(18,749)	45,958

35. NON-CONTROLLING INTERESTS (Continued)

PJ Group (Continued)	**2019 RMB'000**	2018 RMB'000
Current assets	**1,796,481**	1,336,674
Non-current assets	**323,110**	98,660
Current liabilities	**(1,577,198)**	(1,007,792)
Non-current liabilities	**(1,712)**	–
Net assets	**540,681**	427,542
Non-controlling interests	**7,895**	6,215

Ossen Innovation Materials Co., Limited	**2019 RMB'000**	2018 RMB'000
For the year ended 31 December		
Revenue	**439,887**	427,111
Profit for the year	**28,023**	25,554
Total comprehensive income	**28,023**	25,554
Profit allocated to NCI	**13,065**	11,913
For the year ended 31 December		
Cash flows from operating activities	**22,065**	(780)
Cash flows from investing activities	**(5,943)**	4,904
Cash flows from financing activities	**(8,994)**	(4,007)
Net cash (outflows)/inflows	**7,128**	117

35. NON-CONTROLLING INTERESTS (Continued)

	2019	2018
Ossen Innovation Materials Co., Limited (Continued)	**RMB'000**	RMB'000
PJ Group	**476,790**	427,017
Non-current assets	**56,733**	56,887
Current liabilities	**(91,688)**	(112,593)
Non-current liabilities	**(42,500)**	–
Net assets	**399,335**	371,311
Non-controlling interests	**133,556**	120,491

	2019	2018
Ossen (Jiujiang) Innovation Materials Co., Ltd	**RMB'000**	RMB'000
For the year ended 31 December		
Revenue	**527,407**	475,839
Profit for the year	**57,174**	53,569
Total comprehensive income	**57,174**	53,569
Profit allocated to NCI	**20,964**	19,643
For the year ended 31 December		
Cash flows from operating activities	**(21,290)**	11,017
Cash flows from investing activities	**5,887**	(5,593)
Cash flows from financing activities	**11,860**	(4,072)
Net cash (outflows)/inflows	**(3,543)**	1,352

35. NON-CONTROLLING INTERESTS (Continued)

Ossen (Jiujiang) Innovation Materials Co., Ltd (Continued)	**2019 RMB'000**	2018 RMB'000
Current assets	**725,259**	642,456
Non-current assets	**25,678**	27,823
Current liabilities	**(186,924)**	(163,440)
Non-current liabilities	**–**	–
Net assets	**564,013**	506,839
Non-controlling interests	**138,937**	117,973

Summary of Non-controlling interests:

	2019 RMB'000	2018 RMB'000
Non-controlling interests as at year ended 31 December:		
PJ Group	**7,895**	6,215
Ossen Innovation Materials Co., Limited	**133,556**	120,491
Ossen (Jiujiang) Innovation Materials Co., Ltd	**138,937**	117,973
Others (non-material)	**25**	381
	280,413	245,060
Movement of non-controlling interest during the year ended:		
PJ Group	**1,674**	1,146
Ossen Innovation Materials Co., Limited	**13,065**	11,913
Ossen (Jiujiang) Innovation Materials Co., Ltd	**20,964**	19,643
Others (non-material)	**(350)**	45
	35,353	32,747

36. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investments in subsidiaries	–*	–
Current assets		
Amounts due from subsidiaries	142,381	–
Financial assets at fair value through profit and loss	88,597	–
Prepayments	–	4,953
Restricted bank deposits	43,000	–
Cash and cash equivalents	263,032	–
Total current assets	537,010	4,953
Total assets	537,010	4,953
Current liabilities		
Other payables and accruals	–	7,340
Amounts due to subsidiaries	2,140	–
Amounts due to a shareholder	–	12,471
Bank borrowings	85,101	–
Total current liabilities	87,241	19,811
NET ASSETS/(LIABILITIES)	449,769	(14,858)
Capital and reserves		
Share capital	7,138	1
Other reserves	442,631	(14,859)
TOTAL EQUITY	449,769	(14,858)

* Represented amount less than RMB1,000.

On behalf of the directors

Tang Liang
Director

Zhang Weiwen
Director

37. INVESTMENT IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Directly	Indirectly		
Acme Innovation Limited	British Virgin Islands ("BVI"), 28 May 2018, limited liability company	100%	–	USD 50,000	Investment holding, BVI
Ossen Innovation Co., Ltd	BVI, 21 January 2010, limited liability company	–	65.9%	USD 50,000	Investment holding, BVI
Ossen Innovation Materials Group Co., Limited	BVI, 30 April 2010, limited liability company	–	65.9%	USD 50,000	Investment holding, BVI
Ossen Group (Asia) Co., Limited	BVI, 7 February 2002, limited liability company	–	65.9%	USD 50,000	Investment holding, BVI
Topchina Development Group Limited	BVI, 3 November 2004, limited liability company	–	65.9%	USD 50,000	Investment holding, BVI
Ossen Innovation Materials Co., Limited* (奧盛新材料股份有限公司)	The People's Republic of China ("PRC"), 27 October 2004, limited liability company	–	53.38%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of customised prestressed steel materials, PRC
Ossen (Jiujiang) Innovation Materials Co., Ltd* (奧盛(九江)新材料有限公司)	PRC, 13 April 2005, limited liability company	–	63.33%	Registered and fully paid capital RMB183,271,074	Manufacture and sales of customised prestressed steel materials, PRC
Top Innovation Enterprises Limited	BVI, 28 May 2018, limited liability company	100%	–	USD 50,000	Investment holding, BVI

37. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Directly	Indirectly		
Ossen Group Co., Ltd (奧盛集團有限公司)	Hong Kong, 21 September 2016, limited liability company	–	100%	HK$10,000	Investment holding, BVI
Shanghai Xiong Ao Enterprise Management Co., Ltd* (上海雄傲企業管理有限公司)	PRC, 5 June 2018, Limited liability company	–	99%	Registered capital RMB1,006,985	Dormant
Shanghai Pujiang Cable Co., Limited* (上海浦江纜索股份有限公司)	PRC, 16 August 1994, limited liability company	–	98.52%	Registered and fully paid capital RMB90,000,000	Manufacture, installation and sales of cables, PRC
Zhejiang Pujiang Cable Co., Limited* (浙江浦江纜索有限公司)	PRC, 13 April 2006, limited liability company	–	98.52%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of cable, PRC
Shanghai Pujiang Cable Installation Engineering Co., Limited* (上海浦江纜索安裝工程有限公司)	PRC, 28 July 2011, limited liability company	–	98.52%	Registered and fully paid capital RMB5,000,000	Provision of installation services, PRC
International Superconductor Holdings Limited (國際超導控股有限公司)	HK, 7 August 2019, limited liability company	100%	–	HK$500,000,000	Investment holding, HK
Chao Ao Investment Shanghai Co. Ltd (超傲投資(上海)有限公司)	PRC, 29 September 2019, limited liability company	100%	–	USD70,000,000	Dormant

* English names of the subsidiaries are translated directly from their corresponding official Chinese names

38. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank borrowings (note 30) RMB'000	Lease liabilities (note 32) RMB'000	Amount due to a shareholder (note 31) RMB'000
At 1 January 2019	730,994	3,007	18,730
Changes from cash flows:			
Interest paid	(67,411)	–	–
Proceeds from new bank loans	373,651	–	–
Repayment of bank loans	(157,950)	–	–
Lease payments	–	(779)	–
Repayment of amount due to a shareholder	–	–	(18,730)
Total changes from financing cash flows:	148,290	(779)	(18,730)
Other changes:			
Interest expenses	67,522	146	–
Total other changes	67,522	146	–
At 31 December 2019	946,806	2,374	–

38. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

Reconciliation of liabilities arising from financing activities: (Continued)

	Bank borrowings (note 30) RMB'000	**Amount due to a shareholder** (note 31) RMB'000
At 1 January 2018	483,437	12,029
Changes from cash flows:		
Interest paid	(49,906)	–
Proceeds from new bank loans	510,642	–
Repayment of bank loans	(263,085)	–
Issue of new shares	–	6,701
Total changes from financing cash flows:	197,651	6,701
Other changes:		
Interest expenses	49,906	–
Total other changes	49,906	–
At 31 December 2018	730,994	18,730

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, there are no related party transactions for the year ended 31 December 2019 (2018: Nil).

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the year are set out in Note 13 to the Historical Financial Information.

40. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholders of the Company on 24 April 2019, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The maximum term of the options granted is 10 years from the date of offer. The exercise price of the options granted is set as the Stock Exchange closing price of the Company's shares on the date of the offer. The Share Option Scheme is deemed to be an equity-settled share based remuneration scheme for employees and directors of the Group, and employees of the associate. The Share Option Scheme will be valid and effective for a period of 10 years commencing from 3 June 2019 and 23 October 2019, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price 2019 HK$	Number 2019
Outstanding at beginning of the year	–	–
Share Option 1 Granted on 3 June 2019	2.80	32,000,000
Share Option 2 Granted on 23 October 2019	4.09	10,000,000
Outstanding at the end of the year	3.11	42,000,000

The exercise price of options outstanding at the end of the year was HK$3.11 and their weighted average remaining contractual life was 10 years.

Of the total number of options outstanding at the end of the year, no share option were exercisable at the end of the year.

The weighted average share price at the date of exercise of options exercised during the year was HK$3.11.

40. SHARE OPTION SCHEME (Continued)

The weighted average fair value of Share Option 1 and Share Option 2 granted during the year was HK$36,630,000 and HK$17,597,000, respectively.

The equity settled share-based payment of RMB47,688,000 was recognised in profit or loss during the year.

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the Group.

Equity-settled	**Share Option 1**	**Share Option 2**
Option pricing model used	Binomial Option Pricing Model	Binomial Option Pricing Model
Weighted average share price at grant date	HK$2.80	HK$4.09
Exercise price	HK$2.80	HK$4.09
Weighted average contractual life	10 years	10 years
Expected volatility	47.61%	50.06%
Expected dividend rate	3.5%	3.5%
Risk-free interest rate	1.34%	1.49%

41. CAPITAL COMMITMENTS

	2019	2018
	RMB'000	RMB'000
Commitments for the acquisition of:		
Land	**6,115**	–

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2019 RMB'000	2018 RMB'000
Financial assets		
Fair value through profit and loss		
– Equity investments	88,597	–
Financial assets at amortised cost		
– Cash and cash equivalents	307,638	61,401
– Restricted bank deposits	218,704	131,653
– Trade and retention receivables	1,184,158	803,198
– Other receivables	167,181	258,159
	1,877,681	1,254,411
Financial liabilities measured at amortised cost		
– Trade and bills payables	588,077	400,249
– Other payables and accruals	1,486	36,238
– Bank borrowings	946,806	730,994
– Amount due to a shareholder	–	18,730
– Amounts due to related parties	104,000	–
	1,640,369	1,186,211

43. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At each of the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of the financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past due amounts within 1 year	12-months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	Amount is >5 years past due or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

43. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

For trade and retention receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group has assessed expected credit loss by grouping the receivables based on shared credit risk characteristics. Accordingly, the Group is of the view that the expected credit loss rate to be consistent throughout the Track Record Period, by taking into consideration of the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group assessed that there were no significant change in the actual credit loss rate over the Track Record Period. The following tables detail the risk profile of trade receivables:

Trade and retention receivables

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2019							
Expected credit loss rate	1%	5%	10%	20%	24%	100%	3%
Estimated total gross carrying amount at default (RMB'000)	983,646	172,331	28,557	21,657	1,815	10,205	1,218,211
Lifetime ECL (RMB'000)	(7,547)	(8,617)	(2,856)	(4,387)	(441)	(10,205)	(34,053)
	976,099	163,714	25,701	17,270	1,374	–	1,184,158

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2018							
Expected credit loss rate	1%	5%	10%	20%	20%	100%	3%
Estimated total gross carrying amount at default (RMB'000)	724,121	50,635	34,623	3,054	5,766	7,511	825,710
Lifetime ECL (RMB'000)	(7,243)	(2,532)	(3,462)	(611)	(1,153)	(7,511)	(22,512)
	716,878	48,103	31,161	2,443	4,613	–	803,198

43. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

For the purpose of the impairment assessment for other receivables and deposits, the loss allowance is measured at an amount equal to 12 month ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The following tables detail the risk profile of other receivables and deposits:

Other receivables

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2019							
Expected credit loss rate	3%	3%	3%	3%	3%	3%	3%
Estimated total gross carrying amount at default (RMB'000)	5,648	134	364	70	10	79	6,305
12 month ECL (RMB'000)	(166)	(4)	(11)	(2)	(1)	(1)	(185)
	5,482	130	353	68	9	78	6,120

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2018							
Expected credit loss rate	3%	2%	3%	3%	3%	5%	3%
Estimated total gross carrying amount at default (RMB'000)	2,977	371	70	12	489	33	3,952
12 month ECL (RMB'000)	(88)	(11)	(2)	–	(14)	(1)	(116)
	2,889	360	68	12	475	32	3,836

43. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

Deposits

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2019							
Expected credit loss rate	2%	2%	2%	3%	3%	3%	2%
Estimated total gross carrying amount at default (RMB'000)	187,882	70,369	29,450	1,904	13,216	1,008	303,829
12 month ECL (RMB'000)	(3,962)	(1,406)	(618)	(52)	(363)	(28)	(6,429)
	183,920	68,963	28,832	1,852	12,853	980	297,400

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
At 31 December 2018							
Expected credit loss rate	2%	1%	N/A	N/A	N/A	100%	2%
Estimated total gross carrying amount at default (RMB'000)	213,737	29,450	–	–	–	396	243,583
12 month ECL (RMB'000)	(5,263)	(295)	–	–	–	(396)	(5,954)
	208,474	29,155	–	–	–	–	237,629

Note 44 details the Group's credit risk management policies.

44. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and retention receivables, other receivables, restricted bank deposits and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade and bills payables, other payables and accruals, bank borrowings, amount due to a shareholder and amounts due to related parties. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of year. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum.

44. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and, deposits with banks.

The Group's customers are mainly reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the year and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the year and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the year.

44. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2018						
Trade and bills payables	400,249	400,249	400,249	–	–	–
Other payables and accruals	36,238	36,238	36,238	–	–	–
Bank borrowings	730,994	763,135	763,135	–	–	–
Amount due to a shareholder	18,730	18,730	18,730	–	–	–
	1,186,211	1,218,352	1,218,352	–	–	–
As at 31 December 2019						
Trade and bills payables	**588,077**	**588,077**	**588,077**	**–**	**–**	**–**
Other payables and accruals	**46,897**	**46,897**	**46,897**	**–**	**–**	**–**
Bank borrowings	**946,806**	**1,020,414**	**971,715**	**48,699**	**–**	**–**
Amounts due to related companies	**104,000**	**104,000**	**104,000**	**–**	**–**	**–**
	1,685,780	**1,759,388**	**1,710,689**	**48,699**	**–**	**–**

44. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

At 31 December 2018 and 2019, the aggregate undiscounted principal amounts of these loans amounted to approximately RMB730,994,000 and RMB946,806,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 1 month	1 to 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings					
At 31 December 2019	120,116	62,499	721,691	42,500	946,806
At 31 December 2018	5,000	42,063	639,027	44,904	730,994

44. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its bank borrowings are subject to floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 30 to the financial statements.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table illustrates the sensitivity of the profit for the year and retained profits to a change in interest rates of +100 basis point and -100 basis point with effect from the beginning of the year. The calculations are based on the Group's interest-bearing bank borrowings held at each reporting date which are subject to variable interest rates. All other variables are held constant.

	2019	2018
	RMB'000	RMB'000
If interest rates were 100 basis point higher		
Net profit for the year and retained profits decreased by	**8,607**	5,730
If interest rates were 100 basis point lower		
Net profit for the year and retained profits increased by	**8,607**	5,730

The policies to manage interest rate risk have been followed by the Group since prior years are considered to be effective.

(d) Foreign currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in functional currency.

44. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the year.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. Total debt is calculated as trade and bills payables, other payables and accruals, bank borrowings, amount due to a shareholder and amounts due to related companies. Capital includes equity attributable to owners of the Company.

	2019 RMB'000	2018 RMB'000
Total debt	1,759,388	1,218,352
Equity attributable to the owners of the Company	1,623,115	1,000,205
Total debt and equity	3,382,503	2,218,557
Gearing ratio	52.01%	54.92%

44. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair value

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (I.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and retention receivables, other receivables, trade and bills payables, other payables and accruals, amount due to a shareholder, amounts due to related companies and bank borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and retention receivables, other receivables, pledged bank deposits, trade and bills payables, other payables and accruals, amount due to a shareholder and amounts due to related companies approximates fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019.

45. EVENTS AFTER THE REPORTING DATE

Saved as disclosed elsewhere in this report, subsequent to 31 December 2019, the following subsequent events took place:

Since January 2020, the PRC has encountered an outbreak of novel coronavirus ("COVID-19"). As a result, certain measures were undertaken by the PRC central government and various provincial or municipal governments including but not limited to implementation of travel restrictions and extension of national holidays. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected to the extent of which could not be estimated as at the date of this report.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 19 April 2020.