浦江國際集團

PUJIANG INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2060)

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(CEO)*
Mr. Ni Xiaofeng
Mr. Hua Wei (appointed on 17 March 2021)
Ms. Zhang Weiwen (resigned on 17 March 2021)

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. Wong Yik Han (resigned on 17 March 2021)
Ms. Lai Siu Kuen (appointed on 17 March 2021)

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

Ocorian Trust (Cayman) Limited
Cayman Office
Windward 3, Regatta Office Park,
PO 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

PRINCIPAL BANKER

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 and its subsidiaries (the"Group"), the annual report of the Group for the financial year ended 31 December 2021.

In 2021, amidst the impact of the volatile COVID-19 epidemic and increasing inflation expectations, the Group still demonstrated extremely high certainty of long-term growth. As a leading enterprise in the bridge cables and prestressed materials manufacturing industry, the Group achieved an increase in its profit by 15% to approximately RMB216million compared with 2020. The outstanding result reflected the Group's leading edge when competing with its peers.

For the Cable Business, the Group manufactured and supplied the cables of the 1915 Canakkale Bridge in Turkey which was completed and opened to traffic in March 2022. The main span of the bridge is 2,023 meters long, and it is currently the largest suspension bridge in the world. The main cables of the bridge were manufactured by the Group by bringing together the latest materials and technologies of bridge cables in the world today. Turkey's President Erdogan attended and delivered a speech at the opening ceremony of the bridge. Its completion has demonstrated the Group's excellent technical capabilities and effectively enhanced its brand recognition globally. The Group currently has 90 on-going projects, including major bridge projects such as Shenzhen-Zhongshan Link – Lingding Yang Bridge and Guizhou Tongzi River Grand Bridge.

For the prestressed materials business, the Group has proactively expanded its production capacity to capture the market growth opportunities for galvanised prestressed products. In addition, the Group has completed the privatisation of Ossen Innovation Co., Ltd. (a subsidiary which was listed in the U.S.) in September 2021. Riding on the completion of the privatisation of Ossen Innovation, the Group will continue to enhance its upstream and downstream business capabilities within the Group and strengthen the connection between its galvanised prestressed products and bridge cables, so as to improve the production and management effectiveness and thus ensure further increase in revenue.

In 2021, Shanghai International Superconductor Technology Co. Ltd. (上海國際超導科技有限公司), a 40%-owned associate of the Group, has successfully completed the casting and power transmission through the grid for the world's first km-grade high-temperature superconducting cable, which demonstrated its international leadership in the high-temperature superconducting cable field and manifested an important demonstrative role in promoting the technology in China. Driven by a wave of new infrastructure construction and leveraging its technologies and capabilities, Shanghai Superconductor is expected to become another powerful growth driver for the Group. Meanwhile, Shanghai Push Medical Device Co., Limited, a 23%-owned associate of the Group, has successfully completed a new round of financing and entered into listing tutorial period (上市輔導期) of its listing on Sci-Tech Innovation Board (科創板). It is expected that the successful listing of Shanghai Push Medical Device Co., Limited will contribute to enhancing the investment value of the Group and provide return for its shareholders.

The Group has prepared the Environmental, Social Responsibility and Corporate Governance (ESG) report of this year with the theme of "Building a Bridge of Communication Based on Technology (科技築基架起溝通之橋樑)", with a view to building a more effective bridge of communication with various stakeholders, understand and respond to the expectations and demands of various stakeholders in respect of the environmental responsibility, social responsibility and corporate governance of the Group, examine its own development in the ESG area from a more inclusive and fair perspective, and actively deploy ESG management systems to integrate ESG concepts into our operations. In addition, the Group has built an ESG value system of "Integrating Low-carbon Innovation, Sharing Social Responsibility, and Creating Sustainable Value (低碳創新共融、社會責任共擔、永續價值共育)" based on its own social responsibility values. Guided by scientific and technological innovation, the Group has leverage on the low-carbon transformation of the industry to explore greener low-carbon products and services in the context of "dual carbon" (「雙碳」), shoulder the environmental responsibility of reducing carbon emissions and enhance its strength in sustainable development.

Going forward, "Self-reliance and self-strengthening in technology" was advocated in China's "14th Five-Year plan" as one of the key factors to support the country's sustainable development. At the same time, the PRC government will introduce more stimulating policies to stabilize the economy and growth. The Group will actively explore and seize the immense opportunity in the infrastructure market, strengthen its market leadership and invest more resources to enhance its own research and development capabilities, so as to create more opportunities for investors' participation. Meanwhile, the Group will put more emphasis on deploying ESG principals focusing on environmental and social responsibilities and corporate governance, and enhance its sustainable development capability in terms of new materials and carbon emissions reduction.

Last but not least, on behalf of the Board, I would like to express our heartfelt gratitude to all shareholders of the Company, business partners and other stakeholders for their long-term support and help for the Group, and to the management and all staff members of the Group for their hard work in the past year.

Dr. Tang Liang
Chairman and Executive Director
Shanghai, April 2022

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2021	2020	Change
	RMB'000	RMB'000	(%)
Revenue	**2,156,263**	1,947,102	10.7
Gross profit	**573,452**	517,842	10.7
Profit for the year	**215,534**	187,370	15.0
Profit for the year attributable to owners of the Company	**205,017**	151,219	35.6
	RMB	RMB	
Diluted earnings per share	**0.2519**	0.1861	35.4

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,156,263**	1,947,102	1,812,415	1,383,335	1,317,693
Gross profit	**573,452**	517,842	456,098	326,501	245,907
Profit for the year	**215,534**	187,370	134,350	148,598	88,672
Assets					
Non-current assets	**556,180**	542,415	367,350	144,804	160,495
Current assets	**4,764,663**	4,053,215	3,357,949	2,376,921	1,760,196
Total assets	**5,320,843**	4,595,630	3,725,299	2,521,725	1,920,691
Liabilities					
Non-current liabilities	**110,759**	607,817	44,212	–	50,000
Current liabilities	**3,040,656**	1,904,403	1,777,559	1,276,460	774,011
Total liabilities	**3,151,415**	2,512,220	1,821,771	1,276,460	824,011
Total Equity	**2,169,428**	2,083,410	1,903,528	1,245,265	1,096,680

MANAGEMENT DISCUSSION AND ANALYSIS

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. For the year ended 31 December 2021, the Group has two main reporting business segments, namely, the business which manufactures cables for long-span bridges (the "Cable Business") and the business which manufactures prestressed materials for various infrastructure construction (the "Prestressed Materials Business").

For the year ended 31 December 2021, the total revenue of the Group amounted to RMB2,156.3 million, representing an increase of 10.7% as compared to the year ended 31 December 2020. The Group recorded profit for the year of RMB215.5 million for the year ended 31 December 2021, representing an increase of 15.0% as compared to the year ended 31 December 2020. The gross profit margin for the Group remained nearly the same at 26.6% for the year ended 31 December 2020 and 31 December 2021.

Cable Business

In 2021, the Group continued to engage in the production and sale of bridge cables. During the year ended 31 December 2021, the Group was awarded 163 new projects for the Cable Business. In 2021, the Group has completed 109 projects for the Cable Business. As of the date of this report, the Group has 90 on-going projects with a backlog amounting to RMB1,353 million[Note]. With the on-going projects in hand, the Group expects that its revenue from the Cable Business will continue to grow in 2022.

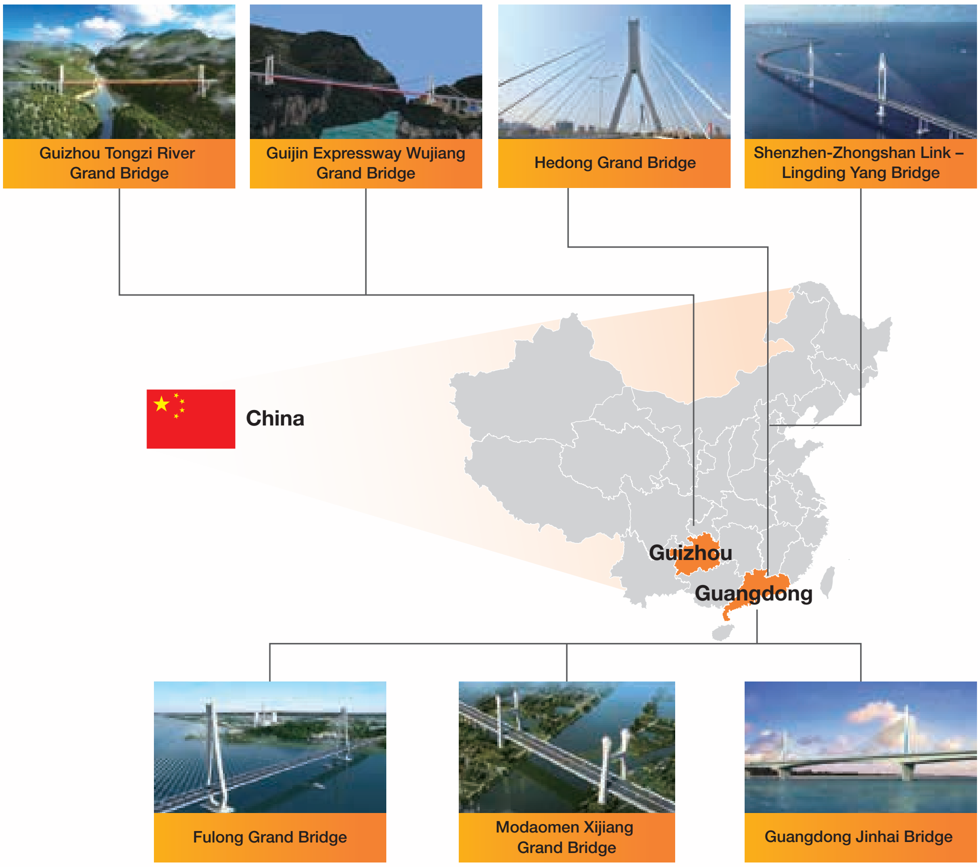
Below sets out some of the on-going projects for the Cable Business:

- Shenzhen-Zhongshan Link – Lingding Yang Bridge* (深中通道伶仃洋大橋)
- Guizhou Tongzi River Grand Bridge* (貴州桐梓河特大橋)
- Guijin Expressway Wujiang Grand Bridge* (貴金高速烏江特大橋)
- Fulong Grand Bridge* (富龍特大橋)
- Modaomen Xijiang Grand Bridge* (磨刀門西江特大橋)
- Guangdong Jinhai Bridge* (廣東金海大橋)
- Hedong Grand Bridge* (鶴洞特大橋)

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)

Cable Business (Continued)



Photos of on-going projects for the Cable Business

Note: The Group supplied cables for the construction of bridges as shown in the photos above.

Also, during the year, the Group has developed several new patented technologies for the application of bridge cables, including a dehumidification system for cable protection upper anchor air intake* (一種用於拉索防護上錨進氣的除濕系統) and high temperature resistant main cable* (耐高溫主纜). During the year 2021, the Group obtained 19 new registered patents and as of 31 December 2021, it had applied for the registration of 27 patents which are pending approval.

BUSINESS REVIEW (Continued)

Prestressed Materials Business

For the Prestressed Materials Business, the Group has focused on the sales of rare earth coated prestressed products, plain surface prestressed products and galvanised prestressed products with specific focus on galvanised prestressed products. The Group has continued to expand its production capacity to capture the growing demand of galvanised prestressed products. The construction of the new production capacity for the Prestressed Materials Business will be completed by the second half of 2022. Furthermore, in December 2020, the Group has entered into a merger agreement for the privatisation of Ossen Innovation Co., Ltd. ("Ossen Innovation"). Completion for the merger and privatisation under the merger agreement took place in September 2021. Immediately after such completion, Ossen Innovation becomes a wholly-owned subsidiary of the Company and Ossen Innovation has been delisted from NASDAQ. The Group expects that after the privatisation, it will have a more efficient and cost effective corporate structure, which will offer the Board a greater flexibility to manage the Group's operations. Please refer to the announcements of the Company dated 17 December 2020 and 10 September 2021 for details.

During the year 2021, the Group developed a number of new patented technologies in relation to prestressed materials, including a device for deoxidizing and cleaning the surface of prestressed steel strand and its working method* (一種用於預應力鋼絞線表面去氧化清潔裝置及其工作方法). During the year 2021, the Group obtained 5 new registered patents and as of 31 December 2021, it had applied for registration of 10 patents which are pending approval.

BUSINESS REVIEW (Continued)

Awards and Recognitions

The Group has received the following prizes and awards during 2021:

Award	Granting Authority
2019-2020 Shanghai Civilized Unit* (2019-2020年度上海市文明單位)	Shanghai Municipal People's Government* (上海市人民政府)
The project"R&D and Application of Key Technologies of New Cable Sealing System"won the first prize of Invention and Entrepreneurship Award issued by China Association of Invention* ("新型拉索密封體系關鍵技術研發與應用"專案榮獲中國發明協會頒佈的發明創業獎一等獎)	China Association of Invention* (中國發明協會)
"Pujiang"brand won the"Century Shanghai Industry, Ten Favorite Brands by Citizens (Industrial Category)"* ("浦江"品牌榮獲《百年上海工業·市民最喜愛的十個品牌(工業品類)》)	Shanghai Federation of Industrial Economics and Shanghai Federation of Economic Organisations* (上海市工業經濟聯合會及上海市經濟團體聯合會)
National Manufacturing Single Item Champion Demonstration Enterprise* (國家製造業單項冠軍示範企業)	China Federation of Industry and Commerce* (中國工商經濟聯合會)
Shanghai"specialized, special and new"small and medium-sized enterprises (2021-2022)* (上海市"專精特新"中小企業(2021-2022))	Shanghai Economic and Information Commission* (上海經濟和信息化委員會)
Zhejiang Province"specialized, refined and new"small and medium-sized enterprise* (浙江省"專精特新"中小企業)	Zhejiang Provincial Department of Economy and Information Technology* (浙江省經濟和資訊化廳)
Jiangsu Province Credit Evaluation Grade AAA Certificate* (江蘇省信用評估等級AAA級證書)	Nanjing Anhuan Credit Evaluation Co., Ltd.* (南京安環信用評估有限公司)
2021 Ma'anshan City Labor Security Integrity A-level Unit* (2021年馬鞍山市勞動保障誠信A級單位)	Ma'anshan Human Resources and Social Security Bureau* (馬鞍山市人力資源和社會保障局)

BUSINESS REVIEW (Continued)

Awards and Recognitions (Continued)

Award	Granting Authority
Anhui Provincial Water-Saving Enterprise* (安徽省級節水型企業)	Anhui Provincial Department of Housing and Urban- Rural Development*（安徽省住房和城鄉建設廳）
2020 Major Tax Payer* (2020年度納稅大戶)	Cihu High-tech Industrial Development Zone Party Working Committee*（慈湖高新技術產業開發區黨工委）, Cihu High-tech Industrial Development Zone Management Committee*（慈湖高新技術產業開發區管委會）
Demonstration Unit of Collective Negotiation in Cihu High-tech Zone* (慈湖高新區集體協商示範單位)	Cihu High-tech Zone Federation of Trade Unions*（慈湖高新區總工會）
2020 Excellent Provincial Postdoctoral Research Workstation* (2020年度優秀省級博士後科研工作站)	Anhui Provincial Department of Human Resources and Social Security*（安徽省人力資源和社會保障廳）

* *For identification purpose only*

Selected photos of awards obtained by the Company

BUSINESS REVIEW (Continued)

Other developments

The outbreak of the COVID-19 continued to cause delay to the progress of many bridge construction projects and increase in accounts receivable which brought financial pressure to the Group in 2021. Construction projects have gradually been resumed during the year but the construction of our research and development centre and production facility in Jiujiang, Jiangxi Province has been further delayed. The Group introduced measures to contain the impact of COVID-19 in its operations and focused on ensuring timely delivery of its products while continuing its effort in research and development.

During the year 2021, the Group has continued to manufacture and supply bridge cables for the construction of the 1915 Canakkale Bridge in Turkey (the "Canakkale Bridge"), which demonstrated our leading position in the bridge cables manufacturing industry. The Canakkale Bridge is the largest suspension bridge in the world, surpassing the Akashi Kaikyo Bridge in Japan. It is a two-tower suspension bridge with six lanes of motorway in two directions (three in each direction). The main span of the bridge is 2,023 meters long. It spans across the Dardanelles strait and connects Turkey's European and Asian shore. The bridge cables of Canakkale Bridge manufactured by the Group brought together new materials and technologies of bridge cables in the world today, with a total weight of 32,596.5 tons. Each main cable has 144 strands, of 4,372 meters long, and each strand consists of approximately 114 tons of steel wire. There are 8 back cables on the European side, of 1,097 meters long and weight approximately 28.4 tons per strand. There are 8 back cables on the Asian side, of 1,192 meters long and weight approximately 30.86 tons per strand. This set of products demonstrated the strength and achievement of the Group in the industry globally.

On 18 March 2022, the construction of the 1915 Canakkale Bridge was completed and opened for traffic. Its completion has enhanced the Group's brand recognition within the industry and demonstrated its technical capabilities.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

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

	2021		2020	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Cable Business:				
Suspension cable projects	588,559	27%	736,397	38%
Stay cable projects	610,582	29%	279,049	14%
Others – installation projects	6,107	0%	5,015	0%
Others – sale of scrap materials	3,162	0%	3,432	0%
	1,208,410	56%	1,023,893	52%
Prestressed Materials Business:				
Plain surface prestressed products	26,621	1%	19,011	1%
Rare earth coated prestressed products	708,045	33%	716,230	37%
Galvanised prestressed products	198,479	9%	176,419	9%
Other steel materials	14,708	1%	11,549	1%
	947,853	44%	923,209	48%
Total	2,156,263	100%	1,947,102	100%

Revenue increased by 10.7% from RMB1,947.1 million for the year ended 31 December 2020 to RMB2,156.3 million for the year ended 31 December 2021, mainly attributable to the increase in revenue from both the Cable Business and the Prestressed Material Business.

Revenue generated from the Cable Business increased by 18.0% from RMB1,023.9 million for the year ended 31 December 2020 to RMB1,208.4 million for the year ended 31 December 2021, mainly attributable to the increase in the sales of stay cables. Revenue generated from the Prestressed Materials Business increased slightly by 2.7% from RMB923.2 million for the year ended 31 December 2020 to RMB947.9 million for the year ended 31 December 2021, mainly attributable to an increase in the sales of plain surface prestressed products, galvanized prestressed products and other steel materials, partially offset by the decrease in the sales of rare earth coated prestressed products.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Gross profit and gross profit margin

Gross profit increased by 10.7% from RMB517.8 million for the year ended 31 December 2020 to RMB573.5 million for the year ended 31 December 2021.

Overall gross profit margin remained nearly the same at 26.6% for the year ended 31 December 2020 and 31 December 2021. The gross profit margin for the Cable Business increased slightly from 34.4% for the year ended 31 December 2020 to 34.6% for the year ended 31 December 2021 due to increased revenue. The gross profit margin for the Prestressed Materials Business decreased from 18.0% for the year ended 31 December 2020 to 16.4% for the year ended 31 December 2021 mainly due to the sourcing of more semi-processed materials for the moving of the existing production facility to the new site.

Selling and distribution costs

Selling and distribution costs of the Group decreased by 7.4% from RMB43.3 million for the year ended 31 December 2020 to RMB40.1 million for the year ended 31 December 2021. The decrease in distribution and selling expenses was mainly attributable to lower shipping costs incurred in 2021.

General and administrative expenses

General and administrative expenses of the Group increased slightly by 4.3% from RMB76.1 million for the year ended 31 December 2020 to RMB79.4 million for the year ended 31 December 2021. The increase in general and administrative expenses was mainly attributable to higher depreciation of right of use assets.

Research and development expenses

Research and development expenses increased by 12.5% from RMB95.7 million for the year ended 31 December 2020 to RMB107.6 million for the year ended 31 December 2021. This increase was primarily attributable to the increase in additional resources allocated to the development of new technologies.

Finance costs

Finance costs increased by 16.6% from RMB91.3 million for the year ended 31 December 2020 to RMB106.4 million for the year ended 31 December 2021. This increase was primarily attributable to the increase in bank borrowings and interest on lease liabilities.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Share of losses of associates

Share of losses of associates increased from RMB3.9 million for the year ended 31 December 2020 to RMB10.1 million for the year ended 31 December 2021 mainly due to due to higher losses incurred by Shanghai International Superconducting Technology Co., Ltd. (上海國際超導科技有限公司).

Income tax expenses

Income tax expenses increased by 124.7% from RMB17.0 million for the year ended 31 December 2020 to RMB38.3 million for the year ended 31 December 2021. The effective tax rate increased from 8.3% for the year ended 31 December 2020 to 15.1% for the year ended 31 December 2021. This increase was primarily attributable to some of the deferred tax expenses in 2020 due to COVID-19 being levied in 2021.

Profit for the year

As a result of the foregoing, the Group recorded a net profit of RMB215.5 million for the year ended 31 December 2021, representing an increase of 15.0% as compared to RMB187.4 million for the year ended 31 December 2020.

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 Group's business model. The Group utilises a significant amount of working capital for upfront prepayment to its 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 2021, the Group mainly funded the cash requirements through a combination of cash and cash equivalents, and banking credit facilities. 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 Research and Development Centre for Cable Business) as disclosed in the section headed "Use of Proceeds", the Group will continue to fund its cash requirements using a combination of banking credit facilities, net cash flows from operating activities, and other financial instruments which will be available for drawdown within a short period of time.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Working Capital (Continued)

As at 31 December 2021, the Group recorded net current assets amounting to RMB1,724.0 million (31 December 2020: RMB2,148.8 million). As at 31 December 2021, the cash and cash equivalents of the Group amounted to RMB373.0 million (31 December 2020: RMB891.9 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 31 December 2021, was 1.57 (31 December 2020: 2.13). The decrease in the current ratio was primarily due to the increase in current liabilities as some non-current liabilities were categorised as current liabilities in 2021.

Funding and Treasury Policy and Foreign Exchange Risk

The Group adopts a prudent funding and treasury policy. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. All assets and liabilities of the Group were denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Cash flows

Cash flows from operating activities

For the year ended 31 December 2021, the net cash used in operating activities was RMB622.6 million (excluding income tax paid of RMB29.6 million), while profit before income tax was RMB253.8 million. Changes in working capital consisted mainly of (i) an increase of RMB730.1 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; (ii) an increase of RMB340.3 million in trade and retention receivables for sales in relation to the delayed settlement of bridge cable projects in 2021, caused by slower construction progress of certain projects due to COVID restrictions during the year; and (iii) an increase of RMB150.9 million in inventories for the production of upcoming bridge projects.

Cash flows from investing activities

For the year ended 31 December 2021, net cash generated from investing activities was RMB8.4 million. This consisted mainly of an increase of RMB12.9 million in restricted bank deposits.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Cash flows (Continued)

Cash flows from financing activities

For the year ended 31 December 2021, net cash generated from financing activities was RMB147.1 million. This consisted mainly of net bank borrowings of RMB378.3 million mainly used for general working capital and business expansion.

Bank and other borrowings

As at 31 December 2021, the outstanding bank and other borrowings of the Group was RMB2,018.7 million (31 December 2020: RMB1,640.4 million), of which RMB1,009.5 million was at fixed interest rates. The increase in bank and other borrowings was due to increased cash requirements to support the Group's growth. The debt to asset ratio (calculated by dividing total debt by total assets) as at 31 December 2021 was 56.3% (31 December 2020: 35.7%). The gearing ratio is 59.13% as at 31 December 2021, which is calculated using total debt divided by total capital plus total debt.

Charge on assets

As at 31 December 2021, bank and other borrowings of RMB2,018.7 million (31 December 2020: RMB1,640.4 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 or personal guarantees given by director of the Company or corporate guarantees from independent third parties.

Contingent liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities.

Capital structure

As at 31 December 2021, 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 Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") was RMB451.9 million. The proceeds from the Listing were used and are proposed to be used according to the intentions previously disclosed by the Company. The following table set forth the Group's intended timetable for use of proceeds from listing as of 31 December 2021.

Business objectives as stated in the Prospectus	Percentage of proceeds as stated in the Prospectus Note 1	Use of proceeds adjusted according to the actual net proceeds from the Listing (RMB million)	Unutilised amount as of 31 December 2020 (RMB million)	Utilized amount for the year ended 31 December 2021 (RMB million)	Unutilized amount as of 31 December 2021 (RMB million)	Expected timeline of full utilisation of the remaining balance
Repayment of banking facilities Note 2	27.2%	122.8	–	–	–	–
Acquisition of business Note 3	24.2%	109.4	109.4	–	109.4	Second half of 2022
Expansion of production facility for Prestressed Materials Business Note 4	21.1%	95.5	72.9	49.7	23.2	Second half of 2022
Expansion of research and development centre for Cable Business Note 5	13.4%	60.4	39.8	19.2	20.6	Second half of 2022
Working capital	9.6%	43.4	–	–	–	–
Purchase of additional production equipment and environmental protection facilities Note 6	4.5%	20.4	18.2	8.7	9.5	Second half of 2022
Total	100%	451.9	240.3	77.6	162.7	

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, the business performance of potential acquisition targets have been further affected. 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and requirements in due course when any acquisition is undertaken.

4. As of the date of this report, the Company has completed the land acquisition for the new production facility in Jiujiang, Jiangxi Province and has commenced the construction work. The schedule was further delayed due to the COVID-19 pandemic situation in China.

5. As of the date of this report, the Company has commenced the construction of the research and development centre. The schedule was further delayed due to the COVID-19 pandemic situation in China.

6. As at the date of this report, the Company has started its procurement of production equipment and environmental protection equipment. The schedule was further delayed due to the COVID-19 pandemic situation in China.

OUTLOOK AND RECENT DEVELOPMENTS

In 2021, while COVID-19 has still caused considerable disruptions in the progress of construction projects, the economy of the PRC has gradually recovered from the COVID-19 pandemic situation in 2020 and returned to stable growth. The PRC's economy, especially in connection with the infrastructure development, has been benefiting from various easing policies implemented by the Government of the People's Republic of China ("PRC") to stimulate economic growth and GDP.

Looking ahead, as part of the "14th Five-Year plan" announced in 2021, "self-sufficiency in technology" was mentioned as one of the key factors to support the country's sustainable development. The PRC Government has therefore introduced various initiatives to achieve this goal and one of the research focuses is to enhance the technologies in the manufacture of "high-tech materials" and "transportation infrastructure". With all these initiatives, it is anticipated that technology infrastructure projects will be introduced in the next few years and therefore demand for the Group's products will increase. With the Group's advanced technologies and know-how in high-technology metallic materials and applications, the Group would benefit from these initiatives and the Group would continue to apply additional resources to enhance its research and development capabilities.

In addition, it is expected that the PRC government will provide more funding to and financing the local governments in 2022 to accelerate the construction of infrastructure to projects and to boost the economy. In particular, it is expected that provincial governments of the PRC will issue special treasury bonds which will provide important source of funding for infrastructure projects in the PRC with an aim to facilitate the development of transportation infrastructure, energy, ecological environmental protection, municipal and industrial park infrastructure and other fields in 2022.

The Group will leverage on the PRC government's initiatives to actively explore and seize opportunities in the domestic and overseas infrastructure markets in order to enhance its market leadership. The Group will look for opportunities for merger and acquisitions to further expand its market share and pricing power. Riding on the completion of the privatisation of Ossen Innovation in 2021, the Group will also continue to utilise and enhance its upstream and downstream business capabilities within the Group and strengthen the connection between its galvanised prestressed products and bridge cable.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Tang Liang

Dr. Tang Liang (湯亮) ("Dr. Tang"), aged 54, 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 10 years of experience in the Cable Business and 16 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").

EXECUTIVE DIRECTORS (Continued)

Dr. Tang currently holds positions at the subsidiaries and associates 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")	Director	August 2010 – present
Ossen Innovation Materials Co., Ltd ("Ossen Innovation Materials")	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 Investment 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
Shanghai Push Medical Device Co., Ltd.	Director	October 2019 – present
Shanghai Pride Group Limited	Director	August 2020 – present
Shanghai Superconductor	Director	September 2020 – present
Long Ao Investment (Shanghai) Co. Ltd.	Director	October 2020 – present
New Ossen Group Limited	Director	November 2020 – present
Deluxe Precision Limited	Director	November 2020 – present
Harvest Front Limited	Director	December 2020 – present

Dr. Tang has also been appointed as the chairman of the board of directors of Ossen Innovation, a company which was listed on NASDAQ (stock code: OSN) from August 2010 to September 2021 but was privatised and delisted in September 2021. Save as disclosed, Dr. Tang did not hold directorships in any other public listed companies in the last three years.

EXECUTIVE DIRECTORS (Continued)

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
The State Council of the PRC	Special Subsidy	December 2020
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 obtained 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 56, 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 27 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 General manager Chairman of the board of directors	September 2010 – present December 2010 – present 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
Shanghai Superconductor	Director	September 2020 – present

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

EXECUTIVE DIRECTORS (Continued)

Mr. Hua Wei

Mr. Hua Wei (華偉) ("Mr. Hua"), aged 59, was appointed as an executive Director on 17 March 2021. Mr. Hua is primarily responsible for overseeing the support operations and internal administration of the Group.

Mr. Hua has more than 36 years of experience in the prestressed material industry. He was graduated from Shanghai Television University and obtained a bachelor degree in 1985. Prior to joining the Group, Mr. Hua worked in Baosteel Shanghai No. 5 Steel Co., Ltd (寶鋼集團上海第五鋼鐵廠) as a technician from July 1985 to June 1988. From July 1988 to November 2000, he served as the supervisor of Baosteel Shanghai No. 2 Steel Co., Ltd (寶鋼集團上海第二鋼鐵廠). From December 2000 to March 2007, he served as the deputy president of Ossen Group PRC. From March 2007 till now, he has served as the chairman of the board of directors of Ossen (Jiujiang). From December 2007 to September 2021, he has served as the director of Ossen Innovation Materials. Since August 2019, he has also served as the director of Shanghai Push. From August 2010 to September 2021, Mr. Hua served as the director of Ossen Innovation which was listed on NASDAQ (Stock Code: OSN) and was privatised and delisted in September 2021. Save as disclosed, Mr. Hua 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 57, 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 22 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.

EXECUTIVE DIRECTORS (Continued)

Mr. Ni Xiaofeng (Continued)

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 67, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Ms. Pan Yingli (Continued)

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 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 and Asia Cuanon Technology Shanghai Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603378) since May 2020. From August 2010 to September 2021, she has been appointed as an independent director of Ossen Innovation, a Company which was listed on NASDAQ (Stock Code: OSN) and was privatised and delisted in September 2021. 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.

Mr. Chen Dewei

Mr. Chen Dewei (陳德偉) ("Mr. Chen"), aged 66, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Zhang Bihong

Mr. Zhang Bihong (張弼弘) ("Mr. Zhang"), aged 47, 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 17 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. On 15 June 2021, Mr. Zhang was appointed as the deputy general manager of Jonjee Hi-Tech Industrial and Commercial Holding Co.,Ltd (中炬高新技術實業(集團)股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600872) and on 6 September 2021, he was appointed as its financial controller.

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 51, joined the Group in 2019 as the Chief Financial Officer, he oversees finance, investments and investor relations functions.

Mr. Ling has over 26 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.

SENIOR MANAGEMENT (Continued)

Mr. Luo Guoqiang

Mr. Luo Guoqiang (羅國强) ("Mr. Luo"), aged 68, 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 31 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

(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.

SENIOR MANAGEMENT (Continued)

Mr. Xu Haoming

Mr. Xu Haoming (徐浩明) ("Mr. Xu"), aged 67, 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 31 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 64, 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 21 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.

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 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.

SENIOR MANAGEMENT (Continued)

Mr. Li Gang

Mr. Li Gang (李剛) ("Mr. Li"), aged 59, 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 31 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. Lai Siu Kuen (黎少娟), is a Director of Corporate Services of Tricor Services Limited, an Asia's leading business expansion specialist specializing in integrated Business, Corporate and Investor Services. Ms. Lai has over 21 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lai is a Chartered Secretary and a Fellow of both The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

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)*
Mr. Ni Xiaofeng
Mr. Hua Wei (appointed on 17 March 2021)
Ms. Zhang Weiwen (resigned on 17 March 2021)

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 22 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 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. A fair review of the business of the Group, a discussion and analysis of the Group's performance during the year including analysis using financial key performance indicators, particulars of important events affecting the Group that have occurred since the end of the financial year, description of the principal risks and uncertainties facing the Group, and a discussion on the Group's environmental policies and performance and the Group's compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders are provided throughout this annual report, particularly in the section headed "Management Discussion and Analysis", discussions of which form part of this Directors' Report and other parts of this Directors' Report.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the ended 31 December 2021 is set out in note 33 to the consolidated financial statements.

PRINCIPAL RISKS

The directors are aware that the Group is exposed to various risks, including some that are specific to the Group such as financial risk and liquidity risk which may affect the liquidity position of the Group, or the industries in which the Group operates such as market risk that may affect the Group's profitability and operations. The Directors would manage significant risks which may adversely affect the Group's performance and ability to deliver on its strategies. The financial risk management policies and practices of the Group are set out in note 43 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Group during the year are set out in note 33 to the consolidated statement of changes in equity.

As at 31 December 2021, the Group's reserves available for distribution to equity holders amounted to approximately RMB2,065.6 million.

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 AND OTHER BORROWINGS

Details of bank and other borrowings of the Group are set out in note 29 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 2021, 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	553,298,064 (L)[2]	68.22%
Mr. Ni Xiaofeng	Beneficial owner	1,300,000 (L)[3]	0.16%
Mr. Zhou Xufeng	Beneficial owner	2,520,000 (L)[4]	0.31%
Mr. Hua Wei	Beneficial owner	7,800,000 (L)[5]	0.98%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. The 553,298,064 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.
3. The 1,300,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
4. The 2,520,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
5. The 7,800,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".

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.	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	37.33%

Save as disclosed above, as of 31 December 2021, 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 2021, 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	Capacity	Number of shares interested[1]	Approximate shareholding percentage
Elegant Kindness	Beneficial owner	553,298,064 (L)	68.22%
China Merchants Bank Co., Ltd[2]	Interest of a controlled corporation	200,000,000 (L)	24.66%
CMB International Finance Limited	Security interest in shares	200,000,000 (L)	24.66%
China Silver Asset Management Limited	Investment manager	79,261,000 (L)	9.77%
CS Asia Opportunities Master Fund	Beneficial owner	79,261,000 (L)	9.77%

Note:

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

2. CMB International Finance Limited is directly controlled by China Merchants Bank Co., Ltd. and therefore China Merchants Bank Co., Ltd is deemed to be interested in the security interest over the Shares held by CMB International Finance Limited.

Save as disclosed above, and as of 31 December 2021, 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 2021, 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.

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.

SHARE OPTION SCHEME (Continued)

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.

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.

SHARE OPTION SCHEME (Continued)

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. The remaining life of the Share Option Scheme shall be seven years and one month.

8. Total number of shares available for issue under the scheme and percentage of issued Shares as at the date of this annual report

The total number of shares of the Company available for issue under the Share Option Scheme was 80,000,000 representing approximately 9.86% of the total number of Shares as at the date of this report.

SHARE OPTION SCHEME (Continued)

Details of the movement in options granted under the Scheme during the financial year ended 31 December 2021 were as follows:

		Number of share options						
Grantee Director	Date of grant	As at 1 January 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period	Balance as at 31 December 2021	Exercise period	Exercise price per share
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
Mr. Hua Wei	3 June 2019	1,950,000	–	–	–	1,950,000	3 June 2022 to 2 June 2029	HK$2.80
		1,950,000				1,950,000	3 December 2022 to 2 June 2029	HK$2.80
		1,950,000				1,950,000	3 June 2023 to 2 June 2029	HK$2.80
		1,950,000				1,950,000	3 December 2023 to 2 June 2029	HK$2.80
Others								
Other employees in aggregate	3 June 2019	5,095,000	–	–	–	5,095,000	3 June 2022 to 2 June 2029	HK$2.80
		5,095,000				5,095,000	3 December 2022 to 2 June 2029	HK$2.80
		5,095,000				5,095,000	3 June 2023 to 2 June 2029	HK$2.80
		5,095,000				5,095,000	3 December 2023 to 2 June 2029	HK$2.80
	23 October 2019	2,500,000	–	–	250,000	2,250,000	23 October 2022 to 22 October 2029	HK$4.092
		2,500,000			250,000	2,250,000	23 April 2023 to 22 October 2029	HK$4.092
		2,500,000			250,000	2,250,000	23 October 2023 to 22 October 2029	HK$4.092
		2,500,000			250,000	2,250,000	23 April 2024 to 22 October 2029	HK$4.092
		42,000,000				41,000,000		

During the year, no share option has been granted under the Share Option Scheme.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2021, the total number of employees in the Group was 444 (31 December 2020: 454) and total employee costs amounted to RMB50.0 million. The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. Share option schemes of the Group are set out on pages 38 to 41. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Details of the Group's environmental policies and performance are set out in the environmental, social and governance report of the Company for the year ended 31 December 2021.

CONNECTED TRANSACTION

During 2021, there was no 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 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 2021. 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 for the completion of privatisation of Ossen Innovation as mentioned as mentioned in the "Management Discussion And Analysis – Business Review" section above, the Group did not have any material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries and associated companies, or significant investments for the year ended 31 December 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report and the future plans set out in the section 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 2021

Save for the completion of the construction of the 1915 Canakkale Bridge set out in the section headed "Other Developments", there was no other significant events occurred subsequent to 31 December 2021 and up to the date of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Company is aware, there was no material breach of or non-compliance with the applicable laws and regulations that had a significant impact on the businesses and operation of the Group during 2021.

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 during the year ended 31 December 2021.

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

On 23 July 2020, the Company as borrower entered into a facility agreement (the "Facility Agreement") with two financial institutions as lenders (the "Lenders") in relation to a term loan facility in an amount up to US$40,000,000 (with a greenshoe option of up to US$30,000,000).

Pursuant to the Facility Agreement and in order to secure the Company's obligations under the Facility Agreement and the other Finance Documents (as defined in the Facility Agreement), on even date, Elegant Kindness, being the immediate controlling shareholder of the Company, executed a share charge, pursuant to which Elegant Kindness agreed to deposit 200,000,000 shares of the Company (the "Charged Shares") (subject to adjustment), into a securities account and charge the same in favour of CMB International Securities Limited, an affiliate of one of the Lenders. The Charged Shares represent 24.66% of the total issued shares of the Company as at the date of this report. Pursuant to the terms of the Facility Agreement, if:

(a) Dr. Tang ceases to control or beneficially (directly or indirectly) own at least 51% of the entire issued share capital of the Company; or

(b) Dr. Tang ceases to control or beneficially (directly or indirectly) own the entire issued shares of Elegant Kindness; or

(c) Elegant Kindness ceases to control or beneficially (directly or indirectly) own at least 51% of the issued share capital of the Company; or

(d) Ossen Group Co., Limited ("Ossen HK"), a wholly-owned subsidiary of the Company and Dr. Tang cease to control or beneficially (directly or indirectly) own 99% and 1%, respectively, of the equity interest of Shanghai Xiong Ao Investment Co., Ltd (上海雄傲投資有限公司) ("Shanghai Xiong Ao"), a subsidiary of the Company; or

(e) Shanghai Xiong Ao, Dr. Tang and Ossen HK cease to control or beneficially (directly or indirectly) own 98.5%, 0.5% and 1%, respectively, of the equity interest of Shanghai Pujiang Cable Co., Limited (上海浦江纜索股份有限公司), a subsidiary of the Company,

the commitments under the Facility Agreement shall be immediately cancelled in full and all amounts outstanding under the Facility Agreement and the Finance Documents (as defined in the Facility Agreement) shall become immediately due and payable.

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, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The annual remuneration of the members of the senior management by band for the year ended 31 December 2021 is as follows:

	No. of Individuals
Nil to HK$1,000,000	2
HK$2,000,001 to HK$2,500,000	1

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 13 and note 14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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 2021.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during 2021 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 2021.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of 31 December 2021, 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 2021, the Group did not make any donations to charity.

EQUITY-LINKED AGREEMENT

In 2021, save for the Share Option Scheme as set out in the section "Share Option Scheme" in this report, 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 2021 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board has resolved not to declare a final dividend by the Company for the year ended 31 December 2021 (2020: HK$0.05 per ordinary share).

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.

TAX RELIEF

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

MAJOR CUSTOMERS AND SUPPLIERS

During 2021, the total purchases from the top five suppliers of the Company accounted for 96% of the total cost of sales of the Group, of which the purchases from the largest supplier accounted for 22% of the total cost of sales of the Group.

The total sales revenue to the five largest customers of the Company in 2021 accounted for 52% of the total sales revenue of the Group, of which sales to the largest customers accounted for 29% 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.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains good relationship with all of its employees and offers competitive remuneration and benefits package to all its employees. It also regularly reviews compensation and benefit policies to ensure that they are in line with market conditions.

The Group shall continue to maintain good communications with its customers, suppliers and other stakeholders through regular visits, meetings, and conferences to ensure that they are all satisfied with their relationship with the Group.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 7 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 in 2021. 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

The register of members of the Company will be closed from Thursday, 16 June 2022 to Tuesday, 21 June 2022, 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 Wednesday, 15 June 2022.

CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the year ended 31 December 2021.

By Order of the Board
Pujiang International Group Limited
Dr. Tang Liang
Chairman of the Board
Hong Kong,
on 30 March 2022

CORPORATE GOVERNANCE REPORT

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 contained in Appendix 14 of the Listing Rules applicable to the Company for the financial year ended 31 December 2021 (the "CG Code") as the basis of the Company's corporate governance practices. The Company is aware that the Stock Exchange has amended Appendix 14 to the Listing Rules, which has come into effect from 1 January 2022, and the title has also been changed to "Corporate Governance Code". The relevant code provision numbers of the CG Code disclosure in this Corporate Governance Report will be presented according to the version before revision. 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 financial year ended 31 December 2021 (the "Reporting Year").

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 throughout the Reporting Year.

The Company is not aware of any incident of non-compliance of the Model Code by the relevant employees throughout the Reporting Year.

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)*
Mr. Ni Xiaofeng
Mr. Hua Wei (appointed on 17 March 2021)
Ms. Zhang Weiwen (resigned on 17 March 2021)

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 22 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 Reporting Year, 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 Board Meetings and Annual General Meeting

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.

Four Board meetings and an annual general meeting were held during the Reporting Year. All Directors attended the Board meetings and the AGM.

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.

Every newly appointed Director will be 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 Reporting Year, the Directors have attended training sessions, including but not limited to, briefings, seminars, conferences and workshops. The training records of the Directors for the Reporting Year are summarized as follows:

Directors	Type of Training Note
Executive Directors	
Dr. Tang Liang	A&B
Mr. Zhou Xufeng	A&B
Ms. Zhang Weiwen (resigned on 17 March 2021)	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 Reporting Year, 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. 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 pages 2 to 3.

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 once for a year without the presence of the Executive Directors. During the Reporting Year, one meeting had been held between the external auditors and Audit Committee without the presence of the Executive Directors on 14 December 2022 for the Audit Plan.

During the Reporting Year, three Audit Committee meetings were held to review the interim and annual financial results and reports, and significant issues on the financial reporting, operational and compliance controls, and arrangements for employees to raise concerns about possible improprieties, and to consider the re-appointment of BDO Limited, the Company's external auditors in 2022. All members of the Audit Committee attended the meetings.

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.

During the Reporting Year, 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. All members of the Remuneration Committee attended the meeting.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (Continued)

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.

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. During the Reporting Year, 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. All members of the Nomination Committee attended the meeting. 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.

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. During the Reporting Year, 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. All members of the Nomination Committee attended the meeting. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

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 Year are as follows:

Services provided Fees	RMB'000
2021 annual audit	1,050
Non-audit services*	500
Total	1,550

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

COMPANY SECRETARY

During the Reporting Year, Ms. Wong Yik Han resigned and Ms. Lai Siu Kuen of Tricor Services Limited was appointed as the company secretary of the Company with effect from 17 March 2021. Mr. Daniel Ling, Chief Financial Officer of the Company, has been designated as the primary contact person at the Company which would work and communicate with Ms. Lai Siu Kuen 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 2021, Ms. Lai Siu Kuen 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") to safeguard the Group's assets and Shareholders' interests. 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 Year.

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.

INTERNAL CONTROL STRUCTURE (Continued)

During the Reporting Year, 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 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 2021.

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 64 to 158 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.

During the Reporting Year, the Company has not made any changes to its Articles of Association. 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 21 June 2022. 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.

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 70 to 158, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 year. 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 2021, the Group had trade and retention receivables of RMB1,326,604,000, net of provision for impairment of RMB35,310,000, which accounted for 24.9% 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, an entity shall recognise loss allowance for financial assets measured at amortised cost under expected credit loss ("ECL") model. In order to measure impairment of trade and retention receivables under HKFRS 9, the management should use judgement, assumptions and estimation techniques in such aspects as 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(g)(ii), note 23 and note 42 to the consolidated financial statements.

Our response:

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

- Understood, evaluated and validated on a sample basis the design and operating effectiveness of management control over the collection and the assessment of the recoverability of receivables;

- Understood the key controls on how the management estimated the credit loss allowance for trade and retention receivables;

- Assessed the Group's ECL models, including the model input, model design and model performance. We assessed and tested the model inputs against the historical customer payment record and the ageing of trade and retention receivables, subsequent settlements after the year end, and other information relating to the creditworthiness of customers. We reviewed the forward-looking adjustments, including the economic variables and assumptions used;

- Recalculated the loss allowance for ECL of trade and retention receivables made by the management of the Group;

- Evaluated whether the disclosures on loss allowance for ECL of trade and retention receivables meet the disclosure requirements in the prevailing accounting standards.

KEY AUDIT MATTERS (Continued)

Prepayment to suppliers

Prepayments to suppliers represented advance payments made to suppliers for prestressed materials are initially recognised as assets, and subsequently utilised for materials acquisition.

We have identified prepayments to suppliers as a key audit matter because the closing balances were material which amounted to approximately RMB2,011,023,000 or 37.8% of the total assets as at 31 December 2021.

Our response:

Our procedures conducted in relation to prepayment to suppliers included:

– Assessed the rationality of the patterns and the trends of transactions;

– Checked 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.

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 Audit Committee, 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, 30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	7	2,156,263	1,947,102
Cost of sales		(1,582,811)	(1,429,260)
Gross profit		573,452	517,842
Other revenue	8	22,153	15,851
Other gains and losses	9	1,751	(19,096)
Distribution costs		(40,091)	(43,301)
Administrative expenses		(79,351)	(76,078)
Research and development expenses		(107,563)	(95,654)
Share of losses of associates		(10,116)	(3,860)
Finance costs	10	(106,431)	(91,304)
Profit before income tax expense	11	253,804	204,400
Income tax expense	15	(38,270)	(17,030)
Profit for the year		215,534	187,370
Attributable to:			
Owners of the Company		205,017	151,219
Non-controlling interests		10,517	36,151
		215,534	187,370
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(23,188)	(6,939)
Other comprehensive income for the year		(23,188)	(6,939)
Total comprehensive income for the year		192,346	180,431
Total comprehensive income for the year attributable to:			
Owners of the Company		181,821	141,240
Non-controlling interests		10,525	39,191
		192,346	180,431
Earnings per share	16	RMB	RMB
– Basic		0.2528	0.1865
– Diluted		0.2519	0.1861

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	18	153,849	114,328
Intangible assets	20	–	–
Interests in associates	21	254,999	266,135
Deferred tax assets	25	11,493	9,915
Deposits	24	135,839	152,037
Total non-current assets		556,180	542,415
Current assets			
Inventories	22	602,799	451,098
Trade and retention receivables	23	1,326,654	985,289
Prepayments, deposits and other receivables	24	2,209,998	1,464,858
Restricted bank deposits	26	234,648	247,536
Cash and cash equivalents	26	372,974	891,921
		4,747,073	4,040,702
Non-current assets classified as held for sale	19	17,590	12,513
Total current assets		4,764,663	4,053,215
Total assets		5,320,843	4,595,630
Current liabilities			
Trade and bills payables	27	737,766	584,976
Contract liabilities	28	59,147	155,807
Other payables and accruals		158,736	107,891
Bank and other borrowings	29	1,921,219	1,033,940
Amounts due to related companies	30	104,000	–
Income tax payable		31,596	21,434
Lease liabilities	31	28,192	355
Total current liabilities		3,040,656	1,904,403
Net current assets		1,724,007	2,148,812
Total assets less current liabilities		2,280,187	2,691,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities	31	13,272	1,357
Bank and other borrowings	29	97,487	606,460
Total non-current liabilities		110,759	607,817
NET ASSETS		2,169,428	2,083,410
Capital and reserves attributable to owners of the Company			
Share capital	32	7,138	7,138
Other reserves	33	2,065,584	1,757,217
Equity attributable to owners of the Company		2,072,722	1,764,355
Non-controlling interests	34	96,706	319,055
TOTAL EQUITY		2,169,428	2,083,410

On behalf of the directors

Tang Liang | **Zhou Xufeng**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital RMB'000 (Note 32)	Share premium RMB'000 (Note 33)	Share-based payment reserve RMB'000 (Note 33)	Capital reserve RMB'000 (Note 33)	Statutory reserve RMB'000 (Note 33)	Merger reserve RMB'000 (Note 33)	Translation reserve RMB'000 (Note 33)	Retained earnings RMB'000 (Note 33)	Total RMB'000	Non-controlling interests RMB'000 (Note 34)	Total equity RMB'000
As at 1 January 2020	7,138	465,016	47,688	159,181	87,991	90,341	(5,062)	770,822	1,623,115	280,413	1,903,528
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(9,979)	–	(9,979)	3,040	(6,939)
Profit for the year	–	–	–	–	–	–	–	151,219	151,219	36,151	187,370
Total comprehensive income for the year	–	–	–	–	–	–	(9,979)	151,219	141,240	39,191	180,431
Transfer from retained earnings to statutory reserve	–	–	–	–	6,208	–	–	(6,208)	–	–	–
Dividend declared and paid by a subsidiary	–	–	–	–	–	–	–	–	–	(549)	(549)
As at 31 December 2020	7,138	465,016	47,688	159,181	94,199	90,341	(15,041)	915,833	1,764,355	319,055	2,083,410
As at 1 January 2021	**7,138**	**465,016**	**47,688**	**159,181**	**94,199**	**90,341**	**(15,041)**	**915,833**	**1,764,355**	**319,055**	**2,083,410**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(23,196)**	**–**	**(23,196)**	**8**	**(23,188)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**205,017**	**205,017**	**10,517**	**215,534**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(23,196)**	**205,017**	**181,821**	**10,525**	**192,346**
Change in ownership interest in a subsidiary without loss of control	**–**	**–**	**–**	**8,787**	**23,138**	**–**	**(1,491)**	**129,778**	**160,212**	**(232,874)**	**(72,662)**
Transfer from retained earnings to statutory reserve	**–**	**–**	**–**	**–**	**25,764**	**–**	**–**	**(25,764)**	**–**	**–**	**–**
Dividends	**–**	**(33,666)**	**–**	**–**	**–**	**–**	**–**	**–**	**(33,666)**	**–**	**(33,666)**
Balance at 31 December 2021	**7,138**	**431,350**	**47,688**	**167,968**	**143,101**	**90,341**	**(39,728)**	**1,224,864**	**2,072,722**	**96,706**	**2,169,428**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Profit before income tax expense	**253,804**	204,400
Adjustments for:		
Depreciation of property, plant and equipment	**6,582**	7,345
Depreciation of right-of-use assets	**20,625**	1,599
Share of losses of associates	**10,116**	3,860
Finance costs	**106,431**	91,304
Fair value loss on financial assets at fair value through profit and loss	**–**	234
(Reversal)/impairment loss recognised on trade and retention receivables	**(1,097)**	2,354
Impairment loss recognised/(reversal) on deposits and other receivables	**1,117**	(311)
Reversal of impairment loss recognised on inventories	**(835)**	–
Bad debt written off on trade and retention receivables	**–**	8,018
Interest Income	**(9,218)**	(2,768)
Loss on disposal of property, plant and equipment	**114**	190
Operating profit before working capital changes	**387,639**	316,225
Increase in inventories	**(150,866)**	(151,330)
(Increase)/decrease in trade, retention and bills receivables	**(340,268)**	188,497
Increase in prepayments, deposits and other receivables	**(730,059)**	(220,765)
Increase/(decrease) in trade and bills payables	**152,790**	(3,101)
(Decrease)/increase in contract liabilities	**(96,660)**	73,514
Increase in deposits received, other payables and accruals	**50,845**	34,994
Increase/(decrease) in amount due to related companies	**104,000**	(104,000)
Cash (used in)/generated from operations	**(622,579)**	134,034
Income taxes paid	**(29,686)**	(23,322)
Net cash (used in)/generated from operating activities	**(652,265)**	110,712

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(13,690)	(9,436)
Purchases of right-of-use assets – land use right		–	(7,432)
Acquisition of an associate		–	(166,000)
Proceeds from disposal of financial asset at fair value through profit and loss		–	88,363
Decrease/(increase) in restricted bank deposits		12,888	(28,832)
Interest received		9,218	2,768
Net cash generated from/(used in) investing activities		8,416	(120,569)
Cash flows from financing activities	37		
Proceeds from bank and other borrowings		2,016,740	2,519,063
Repayment of bank borrowings		(1,638,434)	(1,824,414)
Payment of lease liabilities		(20,069)	(785)
Interest paid		(104,839)	(92,236)
Acquisition of remaining interest of a subsidiary		(72,662)	–
Dividends declared and paid by subsidiary		–	(549)
Dividends		(33,666)	–
Net cash generated from financing activities		147,070	601,079
Net (decrease)/increase in cash and cash equivalents		(496,779)	591,222
Cash and cash equivalents at the beginning of year		891,921	307,638
Effect of exchange rate changes on cash and cash equivalents		(22,168)	(6,939)
Cash and cash equivalents at the end of year		372,974	891,921
Analysis of the balances of cash and cash equivalents:			
Cash and cash equivalents		372,974	891,921

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. Its immediate and ultimate holding company is Elegant Kindness Limited (incorporated in British Virgin Islands).

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

(a) Adoption of new or amended HKFRSs

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRS for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 April 2021.

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period except for the amendments to HKFRS 16. Impact on the application of this amended HKFRS is summarised below.

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

(a) Adoption of new or amended HKFRSs (Continued)

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to early adopt the amendment and apply the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

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

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended 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 HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Proceeds before Intended Use[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKAS 37	Onerous Contracts Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRS 2018-2020 Cycle	Amendment to HKFRS 1[1]
Annual Improvements to HKFRS 2018-2020 Cycle	Amendment to HKFRS 9, Financial Instruments[1]
Annual Improvements to HKFRS 2018-2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Lease[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosures of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 8, Disclosures of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/ decommissioning liabilities.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the combined financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/ decommissioning liabilities.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the combined financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, are recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely have an impact on the Group's accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC) Interpretation 21, Levies, the acquirer applies HK(IFRIC) Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

Annual Improvements to HKFRSs 2018-2020 Cycle, Amendment to HKFRS 1, Financial Instruments

The annual improvements permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018-2020 Cycle, Amendment to HKFRS 9, Financial Instruments

The annual improvements amend a number of standards, including HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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

(b) New or amended HKFRSs that have been issued but are not yet effective (Continued)

Annual Improvements to HKFRSs 2018-2020 Cycle, Amendment to illustrative examples accompanying HKFRS 16, Leases

The annual improvements amend a number of standards, including HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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 financial statements have been prepared under the historical cost basis except for certain 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.

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 gain 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 interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) 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.

(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.

Construction in progress represents machinery and other assets under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing

All 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 of 12 months or less. 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.

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 lessee'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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing (Continued)

Lease liability (Continued)

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.

(f) 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

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed products and all the following can be demonstrated:

(i) the technical feasibility of completing the intangible assets so that it will be available for use or sale;

(ii) the intention to complete the intangible asset and use or sell it;

(iii) the ability to use or sell the intangible assets;

(iv) the intangible asset will generate probable future economic benefits;

(v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(vi) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (other than goodwill) (Continued)

The cost of an internally generated intangible asset is the sum of the expenditures incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The costs capitalized in connection with the intangible asset include costs of materials and services used or consumed, employee costs incurred in the creation of the asset and an appropriate portion of relevant overheads.

Capitalized development expenditures are amortized using the straight-line method over the life of the products. Amortization shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are reported as cost less accumulated amortization and accumulated impairment losses (if any).

Development expenditures not satisfying the above criteria are recognized in the profit or loss as incurred and development expenditures previously recognized as an expense are not recognized as an asset in a subsequent period.

(g) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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)

(g) 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 or loss 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)

(g) 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 measures 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)

(g) 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)

(g) 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)

(g) 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)

(h) 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.

(i) 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)

(i) 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, suck 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.

There are warranties built into the installation contracts. The warranties provides customers with assurance that is no more than agreed-upon specification and therefore, no performance obligation is identified.

Contract liabilities

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

(j) 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)

(k) 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.

(l) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes (Continued)

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.

(m) 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.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e.Renminbi) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) 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.

(o) 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;
- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) 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.

(r) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties (Continued)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(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.

(t) Non-current assets held for sale

(i) Non-current assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to be completed within 12 months from the date of classification.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Non-current assets held for sale (Continued)

(i) (Continued)

Non-current assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets are not depreciated.

The result of non-current assets held for sale is included in profit or loss up to the date of disposal.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset.

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(i) 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.

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 customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. 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.

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

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

(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.

(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(g)(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 credit loss would be higher than estimated.

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

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

(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.

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

(a) Segment revenue and results

For the year ended 31 December 2020

	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	1,023,893	923,209	–	1,947,102	–	1,947,102
Segment profit/(loss) before income tax expenses	142,923	107,027	–	249,950	(45,550)	204,400

For the year ended 31 December 2021

	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	**1,208,410**	**947,853**	**–**	**2,156,263**	**–**	**2,156,263**
Segment profit/(loss) before income tax expenses	**233,649**	**74,162**	**–**	**307,811**	**(54,007)**	**253,804**

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:

	2021 RMB'000	2020 RMB'000
Segment assets		
Cables	3,136,598	2,620,367
Prestressed steel materials	1,408,477	1,136,607
Segment assets	4,545,075	3,756,974
Unallocated	775,768	1,202,656
Total assets	5,320,843	4,959,630

	2021 RMB'000	2020 RMB'000
Segment liabilities		
Cables	2,319,836	1,966,145
Prestressed steel materials	440,375	312,196
Segment liabilities	2,760,211	2,278,341
Unallocated	391,204	233,879
Total liabilities	3,151,415	2,512,220

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

For the year ended 31 December 2020

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	913	881	1,794	974	2,768
Government grants	8,943	543	9,486	3,597	13,083
Finance costs	(67,520)	(17,213)	(84,733)	(6,571)	(91,304)
Income tax expenses	(6,940)	(10,090)	(17,030)	–	(17,030)
Depreciation of right-of-use assets	(856)	(743)	(1,599)	–	(1,599)
Share of loss of associates	–	–	–	(3,860)	(3,860)
Depreciation of property, plant and equipment	(4,662)	(2,683)	(7,345)	–	(7,345)
Impairment loss recognised on trade and retention receivables	(7,237)	4,883	(2,354)	–	(2,354)
Impairment loss reversal on deposits and other receivables	311	–	311	–	311
Additions to property, plant and equipment	(4,170)	(5,266)	(9,436)	–	(9,436)
Additions to right-of-use assets	–	(7,432)	(7,432)	–	(7,432)
Bad debt written off on trade and retention receivables	(5,866)	(2,152)	(8,018)	–	(8,018)
Loss on disposal of property, plant and equipment	(190)	–	(190)	–	(190)

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

For the year ended 31 December 2021

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	4,919	965	5,884	3,334	9,218
Government grants	9,405	3,530	12,935	–	12,935
Finance costs	(74,216)	(16,560)	(90,776)	(15,655)	(106,431)
Income tax expenses	(29,821)	(8,449)	(38,270)	–	(38,270)
Depreciation of right-of-use assets	(525)	(20,100)	(20,625)	–	(20,625)
Share of losses of associates	–	–	–	(10,116)	(10,116)
Depreciation of property, plant and equipment	(5,230)	(1,352)	(6,582)	–	(6,582)
Reversal of impairment loss recognised on trade and retention receivables	6,015	(4,918)	1,097	–	1,097
Impairment loss recognised on deposits and other receivables	(1,117)	–	(1,117)	–	(1,117)
Additions to property, plant and equipment	10,871	61,048	71,919	–	71,919

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:

	2021 RMB'000	2020 RMB'000
Customer A[1]	**626,200**	442,643

Note:

1 Revenue from sales of prestressed steel materials.

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.

	2021 **RMB'000**	2020 RMB'000
Manufacture, installation and sale of cables	**1,208,410**	1,023,893
Manufacture and sale of customised prestressed steel materials	**947,853**	923,209
	2,156,263	1,947,102

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

	2021 **RMB'000**	2020 RMB'000
Trade and retention receivables (note 23)	**1,326,604**	985,289
Contract liabilities (note 28)	**59,147**	155,807
	1,385,751	1,141,096

7. REVENUE (Continued)

Timing of revenue recognition

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

	2021 RMB'000	2020 RMB'000
At a point in time		
Sales of customised prestressed steel materials and cables	2,151,870	1,942,087

	2021 RMB'000	2020 RMB'000
Over time		
Provision of installation services	4,393	5,015

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 2020 and 2021, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) were approximately RMB782,617,000 and RMB1,352,887,000 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

	2021 RMB'000	2020 RMB'000
Bank and other interest income	9,218	2,768
Government grants (note i)	12,935	13,083
	22,153	15,851

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.

9. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Exchange gains/(losses), net	596	(8,714)
Loss on disposal of property, plant and equipment	(114)	(190)
Reversal of impairment loss recognised on inventory	835	–
Reversal/(impairment loss) recognised on trade and retention receivables	1,097	(2,354)
Bad debt written off recognised on trade and retention receivables	–	(8,018)
(Impairment loss)/reversal recognised on deposits and other receivables	(1,117)	311
Loss on financial assets at fair value through profit or loss	–	(234)
Others	454	103
	1,751	(19,096)

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank loans and other borrowings	104,828	91,086
Interest on lease liabilities	1,592	123
Handling fee	11	95
	106,431	91,304

11. PROFIT BEFORE INCOME TAX EXPENSE

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

	2021 RMB'000	2020 RMB'000
Cost of inventories sold (note i)	1,582,811	1,429,260
Auditor's remuneration	1,550	1,500
Employee costs (Note 12)	49,993	49,302
Depreciation charge:		
– Property, plant and equipment	6,582	7,345
– Right of use assets	20,625	1,599

Note:

(i) Cost of inventory sold for the year ended 31 December 2021 includes RMB43,911,000 (2020: RMB42,358,000) 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

	2021 RMB'000	2020 RMB'000
Employee costs (including directors (note 13)) comprise:		
Wages and salaries	37,120	41,748
Contributions on defined contribution retirement plans	7,269	4,000
Other long-term employee benefits	5,604	3,554
	49,993	49,302

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 2021	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	–	600	102	–	702
Mr. Hua Wei	–	240	66	–	306
Mr. Ni Xiaofeng	–	204	56	–	260
	–	1,044	224	–	1,268
Independent non-executive directors:					
Ms. Pan Yingli	149	–	–	–	149
Mr. Chen Dewei	149	–	–	–	149
Mr. Zhang Bihong	150	–	–	–	150
	448	–	–	–	448
	448	1,044	224	–	1,716

13. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2020	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	–	600	33	–	633
Ms. Zhang Weiwen	–	138	–	–	138
Mr. Ni Xiaofeng	–	204	56	–	260
	–	942	89	–	1,031
Independent non-executive directors:					
Ms. Pan Yingli	158	–	–	–	158
Mr. Chen Dewei	158	–	–	–	158
Mr. Zhang Bihong	158	–	–	–	158
	474	–	–	–	474
	474	942	89	–	1,505

Note:

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil). In addition, none of the directors or the five highest paid individuals waived or agreed to waive any emoluments during the year (2020: None).

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included two (2020: two) directors for the year ended 31 December 2021, whose emoluments are reflected in note 13. Particular of the three (2020: three) highest paid employees are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	2,905	2,964
Contributions to retirement benefits schemes	158	108
	3,063	3,072

Their emoluments were within the following bands:

	2021 No. of individuals	2020 No. of individuals
Nil to HK$1,000,000	2	2
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	–	1

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

	2021 No. of individuals	2020 No. of individuals
Nil to HK$1,000,000	2	2
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	–	1

15. INCOME TAX EXPENSE

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

	2021 RMB'000	2020 RMB'000
Current tax – PRC Enterprise Income Tax (the "PRC EIT")		
– for the year	35,574	29,103
– under/(over) provision in respect of prior years	4,274	(9,671)
	39,848	19,432
Deferred tax (note 25)		
– for the year	(1,578)	(2,402)
Income tax expense	38,270	17,030

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) New Materials Co., Limited, 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:

	2021 RMB'000	2020 RMB'000
Profit before income tax expense	253,804	204,400
Tax calculated at the applicable statutory tax rate of 25% (2020: 25%)	63,451	51,100
Expenses not deductible for tax purposes	14,596	8,937
Effect of tax exemptions granted to PRC subsidiaries	(30,799)	(24,905)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(13,482)	(8,431)
Tax effect of tax losses and temporary difference not recognised	230	–
Under/(over) provision in respect of prior years	4,274	(9,671)
Income tax expense	38,270	17,030

The weighted average applicable tax rate was 15.1% (2020: 8.3%) for the year ended 31 December 2021.

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 RMB205,017,000 (2020: RMB151,219,000). The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2021 and 31 December 2020 includes the weighted average number of shares issued pursuant to the share offer (note 32) of 811,044,000 and 811,044,000 shares respectively.

(b) Diluted earnings per share

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company of RMB205,017,000 (2020: RMB151,219,000). 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 39).

16. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**205,017**	151,219

	Number of shares 2021	Number of shares 2020
Number of Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**811,044,000**	811,044,000
Effect of dilution – weighted average number of ordinary shares:		
Share Option	**2,871,153**	1,497,512
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**813,915,153**	812,541,512

17. DIVIDENDS

The Company has resolved not to recommend any payment of dividends for the year ended 31 December 2021 (2020: HK$0.05 per ordinary share).

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 2020	147,188	2,445	125,001	5,999	26,658	–	307,291
Additions	7,432	–	3,228	1,586	500	4,122	16,868
Transfer to assets held for sale	(25,636)	(983)	(1,765)	–	(2,474)	–	(30,858)
Disposals	–	–	–	(1,078)	(145)	–	(1,223)
At 31 December 2020	**128,984**	**1,462**	**126,464**	**6,507**	**24,539**	**4,122**	**292,078**
Addition	**–**	**–**	**61,664**	**568**	**1,558**	**8,129**	**71,919**
Disposal	**–**	**–**	**(1,117)**	**(154)**	**(129)**	**–**	**(1,400)**
Transfer to assets held for sale	**–**	**–**	**(24,956)**	**–**	**(11,009)**	**–**	**(35,965)**
At 31 December 2021	**128,984**	**1,462**	**162,055**	**6,921**	**14,959**	**12,251**	**326,632**
Accumulated depreciation							
At 1 January 2020	52,600	2,081	106,147	4,963	22,393	–	188,184
Provided for the year	5,236	65	2,308	436	899	–	8,944
Eliminated on disposals	–	–	–	(1,033)	–	–	(1,033)
Transfer to assets held for sale	(13,316)	(896)	(1,765)	–	(2,368)	–	(18,345)
At 31 December 2020	**44,520**	**1,250**	**106,690**	**4,366**	**20,924**	**–**	**177,750**
Provided for the year	**4,106**	**32**	**21,779**	**469**	**821**	**–**	**27,207**
Eliminated on disposals	**–**	**–**	**(370)**	**(147)**	**(769)**	**–**	**(1,286)**
Transfer to assets held for sale	**–**	**–**	**(22,756)**	**–**	**(8,132)**	**–**	**(30,888)**
At 31 December 2021	**48,626**	**1,282**	**105,343**	**4,688**	**12,844**	**–**	**172,783**
Net book value							
At 31 December 2021	**80,358**	**180**	**56,712**	**2,233**	**2,115**	**12,251**	**153,849**
At 31 December 2020	84,464	212	19,774	2,141	3,615	4,122	114,328

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2021, the Group's land and buildings and leasehold improvement with an aggregate carrying amount of approximately RMB53,213,000 (2020: RMB56,137,000) respectively were pledged to secure banking facilities granted to the Group (Note 29).

Right-of-Use assets	Land and buildings RMB'000	Machineries RMB'000
At 1 January 2020	30,763	–
Addition	7,432	–
Depreciation	(1,599)	–
Transfer to assets held for sale	(8,057)	–
At as 31 December 2020	**28,539**	**–**
Addition	**–**	**58,229**
Depreciation	**(1,215)**	**(19,410)**
At 31 December 2021	**27,324**	**38,819**

19. ASSETS HELD FOR SALE

On 1 July 2020, Ossen (Jiujiang) New Materials Co., Limited (a subsidiary of the Group) and the Jiujiang Economic Development Zone of Ministry of Land and Resources entered into an agreement on compensation for Ossen (Jiujiang) New Materials Co., Limited's assets expropriation with total consideration of RMB51,725,000. Pursuant to the agreement, the assets transfer is expected to be completed within one year from the agreement signing date, but due to the outbreak of COVID-19, the ownership of the assets had not been transferred up to 31 December 2021. The underlying assets related to the assets expropriation agreement are reclassified from property, plant and equipment to assets held for sale whenever the recognition criteria is met. The net carrying value of assets held for sale as at 31 December 2020 and 31 December 2021 are RMB12,513,000 and RMB17,590,000 respectively.

20. INTANGIBLE ASSETS

	Technology know-how RMB'000
Cost	
At 1 January 2020, 31 December 2020 and 2021	6,250
Accumulated depreciation	
At 1 January 2020, 31 December 2020 and 2021	6,250
Net book value	
At 31 December 2021	–
At 31 December 2020	–

21. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Shares of net assets other than goodwill	**193,494**	204,630
Goodwill	**61,505**	61,505
	254,999	266,135

Details of the Group's associates 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	23.108%
Shanghai International Superconducting Technology Co., Ltd	Developing the technology of, manufacturing and superconducting cables and attachments in the PRC	40%

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of associates:

Shanghai Push Medical Device Technology Co., Limited

	2021 RMB'000	2020 RMB'000
As at 31 December		
Current assets	136,325	355,977
Non-current assets	298,697	8,803
Current liabilities	(19,032)	(3,007)
Non-current liabilities	(19,279)	(9,389)
Net assets	396,711	352,384
Group's share of the net assets of the associate	91,672	82,458
Year ended 31 December		
Revenues	103,571	15,869
Profit or loss from continuing operations	(59,282)	(13,781)
Total comprehensive income	44,289	2,088

21. INTERESTS IN ASSOCIATES (Continued)

Shanghai International Superconducting Technology Co., Ltd

	2021 RMB'000	2020 RMB'000
As at 31 December		
Current assets	118,535	130,291
Non-current assets	151,231	179,472
Current liabilities	(11,330)	(4,183)
Non-current liabilities	(3,881)	(150)
Net assets	254,555	305,430
Group's share of the net assets of the associate	101,822	122,172
Year ended 31 December		
Revenues	10,266	17,921
Profit or loss from continuing operations	(61,141)	(28,792)
Total comprehensive income	(50,875)	(10,871)

22. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	491,178	341,404
Work-in-progress	35,882	16,536
Finished goods	75,739	93,993
	602,799	451,933
Less: provision for impairment on inventories	–	(835)
	602,799	451,098

23. TRADE AND RETENTION RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**1,218,915**	927,716
Retention receivables	**142,999**	93,980
Less: impairment loss on trade and retention receivables	**(35,310)**	(36,407)
	1,326,604	985,289
Bill receivables	**50**	–
	1,326,654	985,289

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 invoice dates, as of the year end.

	2021 RMB'000	2020 RMB'000
Within 3 months	**573,600**	562,292
Within 4 – 6 months	**223,039**	69,182
Within 7 – 12 months	**157,442**	58,482
More than 1 year past due but less than 2 years past due	**304,865**	248,811
More than 2 years past due but less than 3 years past due	**54,188**	34,228
More than 3 years past due but less than 4 years past due	**9,278**	3,733
More than 4 years past due but less than 5 years past due	**3,159**	7,281
Over 5 years	**1,033**	1,280
	1,326,604	985,289

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

23. TRADE AND RETENTION RECEIVABLES (Continued)

	2021 RMB'000	2020 RMB'000
Balance at beginning of the year	**36,407**	34,053
(Reversal of)/impairment loss recognised on trade and retention receivables	**(1,097)**	2,354
	35,310	36,407

As 31 December 2020 and 2021, the Group's certain trade and retention receivables were pledged to secure banking facilities granted to the Group (Note 29).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Prepayments	**2,011,023**	1,355,014
Deposits	**322,901**	260,825
Tax recoverable	**7,294**	582
Other receivables	**12,039**	6,777
Less: impairment loss on deposits and other receivables	**(7,420)**	(6,303)
	2,345,837	1,616,895
Less:		
Deposits (non-current)	**(135,839)**	(152,037)
	2,209,998	1,464,858

Prepayments, deposits and other receivables under current portion as at 31 December 2021 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. DEFERRED TAX ASSETS

	Accrued expenses RMB'000	Others (Note i) RMB'000	Total RMB'000
At 1 January 2020	5,178	2,335	7,513
Charged to profit for the year	(2,203)	4,605	2,402
At 31 December 2020 and 1 January 2021	2,975	6,940	9,915
Charged to profit for the year	1,412	166	1,578
At 31 December 2021	4,387	7,106	11,493

Notes:

(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 RMB36,407,000 and RMB6,303,000 respectively as at 31 December 2020 and at the amounts of RMB35,310,000 and RMB7,420,000 respectively as at 31 December 2021.

(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 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.

26. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and bank balances (Note (a))	**607,622**	1,139,457
Less: restricted bank deposits (Note (b))	**(234,648)**	(247,536)
Cash and cash equivalents	**372,974**	891,921

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.

Notes:

(a) At 31 December 2021, the Group's cash and bank balances denominated in RMB amounted to approximately RMB585,630,729 (2020: RMB800,111,000) 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 2021, the Group pledged its bank deposits in order to fulfil collateral requirements for bills payables (Note 27), letter of credit and demand guarantee.

27. TRADE AND BILLS PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables	173,280	142,295
Bills payable	564,486	442,681
	737,766	584,976

An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	2021 RMB'000	2020 RMB'000
Within 3 months	52,453	92,559
Within 4 – 6 months	22,015	19,493
Within 7 – 12 months	60,773	19,816
More than 1 year but less than 2 years	32,477	5,762
More than 2 year but less than 3 years	2,579	2,412
More than 3 year but less than 4 years	875	153
More than 4 year but less than 5 years	102	199
Over 5 years	2,006	1,901
	173,280	142,295

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 2021, bills payable of RMB494,166,000 (2020: RMB382,681,000) were secured by the Group's restricted bank deposits of RMB191,270,000 (2020: RMB163,704,000) (Note 26).

28. CONTRACT LIABILITIES

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

	2021 RMB'000	2020 RMB'000
Contract liabilities	**59,147**	155,807

Movements in contract liabilities:	2021 RMB'000	2020 RMB'000
Balance as at 1 January	**155,807**	82,293
Decrease in contract liabilities as a result of recognising revenue	**(148,155)**	(20,793)
Increase in contract liabilities as a result of payment in advance from customers	**51,495**	94,307
Balance at 31 December	**59,147**	155,807

The contract liabilities mainly relate to the advance consideration received from customers.

(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 decrease as a result of more revenue has been recognised during the year.

(ii) Revenue recognised in relation to contract liabilities

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

	2021 RMB'000	2020 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	**145,946**	7,024
Manufacture and sale of customised prestressed steel materials	**2,209**	13,769
	148,155	20,793

29. BANK AND OTHER BORROWINGS

	2021 RMB'000	2020 RMB'000
Current		
Secured interest-bearing		
– short-term bank loans	1,921,219	1,033,940
Non-current		
Secured interest-bearing		
– long-term bank and other loans	97,487	606,460
	2,018,706	1,640,400

At 31 December, total current and non-current bank and other loans were scheduled to be repaid as follows:

	2021 RMB'000	2020 RMB'000
On demand or within one year	1,921,219	1,003,940
More than one year, but not exceeding two years	97,487	533,973
More than two years, but not exceeding five years	–	102,487
	2,018,706	1,640,400

The bank and other borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 3.05% to 9.00% (2020: from 4.30% to 9.00%) at 31 December 2021.

The bank and other loans are secured by:

(a) certain buildings, leasehold improvement and machineries included in property, plant and equipment (Note 18) and trade and retention receivables (Note 23);

(b) personal guarantees executed by Dr. Tang Liang, a director of the Company, Mr. Hua Wei, a director of a subsidiary of the Group, and corporate guarantees given by independent third parties and the subsidiaries of the Group as following: Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) New Materials Co. Limited, Shanghai Pujiang Cable Co., Limited, Shanghai New Materials Industry Technology Research Institute Co Ltd, Pujiang International Group Limited, Ossen Innovation Materials Co., Ltd, Ossen Group Co., Limited.

30. AMOUNTS DUE TO RELATED COMPANIES

As at 31 December 2021, the amounts due to related companies are unsecured, interest –free and repayable on demand.

31. LEASES

(a) Nature of leasing activities (in the capacity as lessee)

The Group leased its office premises in the jurisdictions from which it operates with terms of three to ten years. The periodic rent is fixed over the lease term.

	Lease contracts	Fixed payments RMB'000
As at 31 December 2020		
Property leases with fixed payments	2	3,616
As at 31 December 2021		
Property leases with fixed payments	3	64,945

(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:

	2021 RMB'000	2020 RMB'000
Ownership interests in leasehold land, carried at depreciated cost with remaining lease term of:		
– 50 years or more	**26,114**	35,007
Other properties leased for own use, carried at depreciated cost	**40,029**	1,589

31. LEASES (Continued)

(c) Lease liabilities

	RMB'000
At 1 January 2020	2,374
Interest expenses	123
Lease payments	(785)
At 31 December 2020	1,712
Addition	58,229
Interest expenses	1,592
Lease payments	(20,069)
At 31 December 2021	41,464

Future lease payments are due as follows:

At 31 December 2021	**Minimum lease payments RMB'000**	**Interest RMB'000**	**Present value RMB'000**
Not later than one year	**29,705**	**(1,513)**	**28,192**
Later than one year and not later than two years	**13,607**	**(335)**	**13,272**
	43,312	**(1,848)**	**41,464**

At 31 December 2020	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	444	(89)	355
Later than one year and not later than two years	1,608	(251)	1,357
	2,052	(340)	1,712

31. LEASES (Continued)

(c) Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2021 RMB'000	2020 RMB'000
Current liabilities	28,192	355
Non-current liabilities	13,272	1,357
	41,464	1,712

(d) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
Depreciation of right-of-use assets in respect of land and buildings (included in administrative expenses)	20,625	1,599
Interest expense (included in finance costs)	1,592	123

32. 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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	811,044,000	7,138

33. 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 reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2020	465,016	47,688	6,337	(76,410)	442,631
Exchange difference arising on translation of foreign operations	–	–	(30,495)	–	(30,495)
Loss for the year	–	–	–	(33,864)	(33,864)
As at 31 December 2020 and 1 January 2021	**465,016**	**47,688**	**(24,158)**	**(110,274)**	**378,272**
Exchange difference arising on translation of foreign operations	**–**	**–**	**(22,324)**	**–**	**(22,324)**
Dividend	**(33,666)**	**–**	**–**	**–**	**(33,666)**
Loss for the year	**–**	**–**	**–**	**(30,008)**	**(30,008)**
	431,350	**47,688**	**(46,482)**	**(140,282)**	**292,274**

33. 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.
Capital reserve	(i) capital injection in excess of registered capital of Shanghai Pujiang Cable Co., Limited, Ossen Innovation Materials Co., Limited and Ossen (Jiujiang) New Materials Co., Limited. (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/ (accumulated losses)	Cumulative net gains and loss recognised in profit and loss.

34. 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	2021	2020
Shanghai Pujiang Cable Co., Limited and its subsidiaries ("PJ Group")	**1.48%**	1.48%
Ossen Innovation Materials Co., Limited	**19.00%**	46.62%
Ossen (Jiujiang) New Materials Co. Limited	**3.89%**	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	2021 RMB'000	2020 RMB'000
For the year ended 31 December		
Revenue	**569,688**	986,994
Profit for the year	**203,826**	135,984
Total comprehensive income	**203,826**	135,984
Profit allocated to NCI	**3,037**	2,019
For the year ended 31 December		
Cash flows from operating activities	**(698,478)**	233,837
Cash flows from investing activities	**(40,574)**	(126,799)
Cash flows from financing activities	**472,429**	447,794
Net cash outflows/(inflows)	**(266,623)**	554,832

34. NON-CONTROLLING INTERESTS (Continued)

	2021 RMB'000	2020 RMB'000
Current assets	3,237,668	2,408,481
Non-current assets	339,979	341,415
Current liabilities	(2,388,247)	(1,761,515)
Non-current liabilities	(98,653)	(206,953)
Net assets	1,090,747	781,428
Non-controlling interests	12,951	9,914

Ossen Innovation Materials Co., Limited	2021 RMB'000	2020 RMB'000
For the year ended 31 December		
Revenue	484,201	435,406
Profit for the year	32,640	25,888
Total comprehensive income	32,640	25,888
Profit allocated to NCI	6,202	12,069
For the year ended 31 December		
Cash flows from operating activities	(5,031)	(25,923)
Cash flows from investing activities	15,048	549
Cash flows from financing activities	(10,720)	18,013
Net cash (outflows)/inflows	(703)	(7,361)

34. NON-CONTROLLING INTERESTS (Continued)

	2021 RMB'000	2020 RMB'000
Current assets	587,603	538,926
Non-current assets	56,145	55,883
Current liabilities	(185,882)	(127,083)
Non-current liabilities	–	(42,500)
Net assets	457,866	425,226
Non-controlling interests	65,552	145,625

Ossen (Jiujiang) New Materials Co., Limited	2021 RMB'000	2020 RMB'000
For the year ended 31 December		
Revenue	583,754	536,421
Profit for the year	33,073	70,426
Total comprehensive income	33,073	70,426
Profit allocated to NCI	1,287	25,849
For the year ended 31 December		
Cash flows from operating activities	63,284	53,360
Cash flows from investing activities	(13,422)	(15,767)
Cash flows from financing activities	(23,614)	(33,404)
Net cash inflows	26,248	4,189

34. NON-CONTROLLING INTERESTS (Continued)

	2021 RMB'000	2020 RMB'000
Current assets	1,007,087	790,376
Non-current assets	57,320	22,033
Current liabilities	(384,718)	(177,899)
Non-current liabilities	(12,106)	–
Net assets	667,583	634,510
Non-controlling interests	18,768	164,786

Summary of Non-controlling interests:

	2021 RMB'000	2020 RMB'000
Non-controlling interests as at year ended 31 December:		
PJ Group	12,951	9,914
Ossen Innovation Materials Co., Limited	65,552	145,625
Ossen (Jiujiang) New Materials Co., Limited	18,768	164,786
Others (non-material)	(565)	(1,270)
	96,706	319,055
Movement of non-controlling interest during the year ended:		
PJ Group	3,037	2,019
Ossen Innovation Materials Co., Limited	(80,073)	12,069
Ossen (Jiujiang) New Materials Co., Limited	(146,018)	25,849
Others (non-material)	705	(1,295)
	(222,349)	38,642

34. NON-CONTROLLING INTERESTS (Continued)

On 17 December 2020, Ossen Innovation Co., Ltd, a subsidiary of the Company which has its american depositary share ("ADS") listed on NASDAQ (stock code: OSN), entered into a Merger Agreement with New Ossen Group Limited (a wholly-owned subsidiary of the Company) and New Ossen Innovation Limited (a subsidiary of New Ossen Group Limited), pursuant to which Ossen Innovation Co., Ltd will be taken private by way of merger.

Immediately prior to entering into the Merger Agreement, the Company, through Acme Innovation Limited (a wholly-owned subsidiary of the Company) held approximately 65.9% of the issued share capital of Ossen Innovation Co., Limited, with the remaining issued share capital held by public shareholders by way of ADS. Upon Completion, Ossen Innovation Co., Limited shall be privatized and become a wholly-owned subsidiary of the Company.

On 9 September 2021, the Group has completed the merger. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2021 RMB'000
Consideration paid for 34.1% ownership interest	72,662
Net assets attributable to 34.1% ownership interest	(232,874)
Increase in equity attributable to owners of the Company	(160,212)

35. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2021 RMB'000	2020 RMB'000
Non-current assets		
Investment in subsidiaries	**618,872**	448,500
Current assets		
Restricted bank deposits	**–**	42,861
Cash and cash equivalents	**21,037**	293,547
Total current assets	**21,037**	336,408
Total assets	**639,909**	784,908
Current liabilities		
Amounts due to subsidiaries	**53,826**	41,134
Bank borrowings	**286,670**	–
Total current liabilities	**340,496**	41,134
Non-current liabilities		
Other borrowings	**–**	358,364
NET ASSETS	**299,413**	385,410
Capital and reserves		
Share capital	**7,138**	7,138
Other reserves	**292,275**	378,272
TOTAL EQUITY	**299,413**	385,410

* Represented amount less than RMB1,000.

On behalf of the directors

Tang Liang **Zhou Xufeng**

36. 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	–	100%	USD 50,000	Investment holding, BVI
Ossen Innovation Materials Group Co., Limited	BVI, 30 April 2010, limited liability company	–	100%	USD 50,000	Investment holding, BVI
Ossen Group (Asia) Co., Limited	BVI, 7 February 2002, limited liability company	–	100%	USD 50,000	Investment holding, BVI
Topchina Development Group Limited	BVI, 3 November 2004, limited liability company	–	100%	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	–	81%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of customised prestressed steel materials, PRC
Ossen (Jiujiang) New Materials Co., Limited* (奧盛(九江)新材料有限公司)	PRC, 13 April 2005, limited liability company	–	96%	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
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 Investment Co., Ltd (上海雄傲投資有限公司)	PRC, 5 June 2018, limited liability company	–	99%	Registered capital RMB1,006,985	Dormant

36. 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 Directly	Percentage of equity attributable to the Company Indirectly	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
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
New Ossen Group Limited	BVI, 11 November 2020, limited liability company	100%	–	USD50,000	Dormant
Deluxe Precision Limited	BVI, 27 November 2020, limited liability company	100%	–	USD50,000	Dormant
Shanghai Pride Group Limited (申傲集團有限公司)	HK, 18 August 2020, limited liability company	100%	–	HK$10,000	Dormant
Long Ao Investment Shanghai Holdings Limited* (隆傲投資(上海)有限公司)	PRC, 20 October 2020, limited liability company	–	100%	USD50,000,000	Dormant
Harvest Front Limited	BVI, 3 April 2020, limited liability company	–	100%	USD1	Dormant

* English names of the subsidiaries are translated directly from their corresponding official Chinese names.

37. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank and other borrowings (note 30) RMB'000	Lease liabilities (note 32) RMB'000
At 1 January 2020	946,806	2,374
Changes from cash flows:		
Interest paid	(92,359)	–
Proceeds from new bank loans	2,519,063	–
Repayment of bank loans	(1,824,414)	–
Lease payments	–	(785)
Total changes from financing cash flows:	1,549,096	1,589
Other changes:		
Interest expenses	91,304	123
Total other changes	1,640,400	1,712
At 31 December 2020 and 1 January 2021	**1,640,400**	**1,712**
Changes from cash flows:		
Interest paid	**–**	**1,592**
Proceeds from new bank loans	**2,016,740**	**–**
Repayment of bank loans	**(1,638,434)**	**–**
Purchase of right of use assets	**–**	**58,229**
Lease payments	**–**	**(20,069)**
Total changes from financing cash flows:	**2,018,706**	**41,464**
Other changes:		
Interest expenses	**–**	**–**
Total other changes	**2,018,706**	**41,464**
At 31 December 2021	**2,018,706**	**41,464**

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, there are no related party transactions for the year ended 31 December 2021 (2020: 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.

39. 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 2021 HK$	**Number 2021**	Weighted average exercise price 2020 HK$	Number 2020
Outstanding at beginning and end of the year	**3.11**	**42,000,000**	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. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Commitments for the acquisition of:		
Machinery	41,703	–

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

PJ Group	2021 RMB'000	2020 RMB'000
Financial assets		
Fair value through profit and loss		
– Equity investments	–	–
Financial assets at amortised cost		
– Cash and cash equivalents	372,974	881,839
– Restricted bank deposits	234,648	240,804
– Trade and retention receivables	1,326,654	985,289
– Other receivables	327,520	261,300
	2,261,796	2,369,232
Financial liabilities measured at amortised cost		
– Trade and bills payables	737,766	584,976
– Other payables and accruals	98,766	33,014
– Bank and other borrowings	2,018,706	1,640,400
– Amounts due to related parties	104,000	–
	2,959,238	2,258,390

42. 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 statement 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

42. 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. The Group estimates the expected credit loss rate 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 following tables detail the risk profile of trade receivables:

Trade and retention receivables

At 31 December 2021	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	1%	4%	6%	22%	35%	73%	3%
Estimated total gross carrying amount at default (RMB'000)	964,336	319,164	57,908	11,831	4,855	3,820	1,361,914
Lifetime ECL (RMB'000)	(10,255)	(14,299)	(3,720)	(2,553)	(1,696)	(2,787)	(35,310)
	954,081	304,865	54,188	9,278	3,159	1,033	1,326,604

At 31 December 2020	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	2%	5%	6%	15%	30%	65%	4%
Estimated total gross carrying amount at default (RMB'000)	705,338	261,500	36,462	4,385	10,401	3,610	1,021,696
Lifetime ECL (RMB'000)	(15,382)	(12,689)	(2,234)	(652)	(3,120)	(2,330)	(36,407)
	689,956	248,811	34,228	3,733	7,281	1,280	985,289

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 given that there is no significant increase in credit risk since initial recognition. 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:

42. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

Other receivables

At 31 December 2021	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	0%	3%	0%	21%	14%	90%	4%
Estimated total gross carrying amount at default (RMB'000)	11,364	80	4	14	29	548	12,039
12 month ECL (RMB'000)	(4)	(2)	–	(3)	(4)	(493)	(506)
	11,360	78	4	11	25	55	11,533

At 31 December 2020	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	1%	5%	10%	20%	20%	94%	16%
Estimated total gross carrying amount at default (RMB'000)	4,953	338	87	349	71	980	6,778
12 month ECL (RMB'000)	(52)	(17)	(9)	(70)	(14)	(925)	(1,087)
	4,901	321	78	279	57	55	5,691

Deposits

At 31 December 2021	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	2%	2%	2%	3%	21%	17%	2%
Estimated total gross carrying amount at default (RMB'000)	183,379	103,876	31,137	1,211	29	3,269	322,901
12 month ECL (RMB'000)	(3,624)	(2,078)	(623)	(32)	(6)	(551)	(6,914)
	179,755	101,798	30,514	1,179	23	2,718	315,987

At 31 December 2020	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	2%	2%	2%	2%	2%	2%	2%
Estimated total gross carrying amount at default (RMB'000)	105,357	146,526	1,169	–	–	7,773	260,825
12 month ECL (RMB'000)	(2,107)	(2,931)	(23)	–	–	(155)	(5,216)
	103,250	143,595	1,146	–	–	7,618	255,609

Note 44 details the Group's credit risk management policies.

43. 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 and other 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.

(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.

43. FINANCIAL RISK MANAGEMENT (Continued)

(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.

	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 year RMB'000	More than 2 year but less than 5 years RMB'000	More than 5 year RMB'000
As at 31 December 2020						
Trade and bills payables	584,976	584,976	584,976	–	–	–
Other payables and accruals	33,014	33,014	33,014	–	–	–
Bank borrowings	1,640,400	1,744,068	1,058,415	572,378	113,275	–
Amounts due to related companies	–	–	–	–	–	–
	2,258,390	2,362,058	1,676,405	572,378	113,275	–
As at 31 December 2021						
Trade and bills payables	**737,766**	**737,766**	**737,766**	**–**	**–**	**–**
Other payables and accruals	**93,219**	**93,219**	**93,219**	**–**	**–**	**–**
Bank and other borrowings	**2,018,706**	**2,084,195**	**1,976,895**	**60,582**	**46,718**	**–**
Amounts due to related companies	**104,000**	**104,000**	**104,000**	**–**	**–**	**–**
	2,953,691	**3,019,180**	**2,911,880**	**60,582**	**46,718**	**–**

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

At 31 December 2020 and 2021, the aggregate undiscounted principal amounts of these loans amounted to approximately RMB1,640,400,000 and RMB2,018,706,000 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 RMB'000	1 to 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
Borrowings					
At 31 December 2021	195,000	269,700	1,456,519	97,487	2,018,706
At 31 December 2020	50,000	114,700	839,240	636,460	1,640,400

43. 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.

	2021 **RMB'000**	2020 RMB'000
If interest rates were 100 basis point higher		
Net profit for the year and retained profits decreased by	**20,187**	10,039
If interest rates were 100 basis point lower		
Net profit for the year and retained profits increased by	**20,187**	10,039

The policies to manage interest rate risk have been followed by the Group since prior years are considered to be effective.

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) Foreign currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in functional currency.

(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 and other borrowings, amount due to a shareholder and amounts due to related companies. Capital includes equity attributable to owners of the Company.

	2021 **RMB'000**	2020 RMB'000
Total debt	**2,998,178**	2,258,390
Equity attributable to the owners of the Company	**2,072,722**	1,764,355
Total debt and equity	**5,070,900**	4,022,745
Gearing ratio	**59.13%**	56.14%

43. 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 shareholder, amounts due to related companies and bank and other 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 2021.

44. EVENT AFTER REPORTING DATE AND EFFECT OF COVID-19

The World Health Organisation declared coronavirus and Covid-19 a global health emergency on 30 January 2020. Since then, the Group has experienced significant disruption to its operations in the following respects:

- interruptions to manufacturing activities and closure of assembly plants;
- disruptions in the supply of inventory from major suppliers;
- significant uncertainty concerning when government lockdowns will be lifted, social distancing requirements will be eased and the long-term effects of the pandemic on the demand for the Group's primary products.

Governments in the countries in which the Group operates also implemented various measures which might mitigate some of the impact of the Covid-19 pandemic to the results and liquidity position of the Group. To the extent appropriate, the Group applies for such government assistance. Details of all of the arrangements that might be available and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty.

The directors of the Company are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2022. However, the exact impact in the remainder of 2022 and thereafter cannot be predicted.

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 30 March 2022.