



浦江國際集團

PUJIANG INTERNATIONAL GROUP LIMITED

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



INTERIM REPORT | 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

SENIOR MANAGEMENT

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

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai 200120
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road East
Hong Kong

COMPANY'S WEBSITE

www.pji-group.com

CAYMAN SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
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Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

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

COMPLIANCE ADVISER

Haitong International Capital Limited

PRINCIPAL 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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF PUJIANG INTERNATIONAL GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 4 to 32 which comprise the condensed consolidated statement of financial position of Pujiang International Group Limited and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong

27 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited six months ended 30 June	
	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	778,656	755,970
Cost of sales		(568,715)	(564,319)
Gross profit		209,941	191,651
Other revenue		10,445	3,682
Other losses		(7,063)	(2,808)
Distribution and selling expenses		(22,679)	(9,694)
Administrative expenses		(29,283)	(32,839)
Research and development expenses		(31,318)	(24,882)
Share of profit of associates accounted for using the equity method		47	–
Equity-settled share-based payment		–	(31,902)
Finance costs	7	(40,218)	(31,461)
Profit before income tax expense	8	89,872	61,747
Income tax expense	10	(7,144)	(11,200)
Profit for the period		82,728	50,547
Attributable to:			
– Owners of the Company		65,115	33,901
– Non-controlling interests		17,613	16,646
		82,728	50,547

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Unaudited six months ended 30 June	
	Notes	2020 RMB'000	2019 RMB'000
Profit for the period		82,728	50,547
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		5,942	(13)
Other comprehensive income for the period		5,942	(13)
Total comprehensive income for the period		88,670	50,534
Total comprehensive income for the period attributable to:			
– Owners of the Company		72,218	33,891
– Non-controlling interests		16,452	16,643
		88,670	50,534
Earnings per share for profit attributable to equity holders of the Company			
– Basic	12	RMB 0.0803	RMB 0.0535
– Diluted		0.0798	0.0534

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	122,782	119,107
Intangible assets	14	–	–
Interest in an associate	15	104,042	103,995
Deferred tax assets		8,004	7,513
Deposits		116,693	136,735
		351,521	367,350
Current assets			
Inventories		613,255	299,768
Trade and retention receivables	16	1,001,208	1,184,158
Prepayments, deposits and other receivables		1,404,574	1,259,084
Financial asset at fair value through profit and loss		–	88,597
Restricted bank deposits		239,584	218,704
Cash and cash equivalents		645,181	307,638
		3,903,802	3,357,949
Total current assets		4,255,323	3,725,299
Current liabilities			
Trade and bills payables	17	676,600	588,077
Contract liabilities		156,341	82,293
Other payables and accruals		72,568	72,897
Bank borrowings	18	1,036,340	904,306
Amounts due to related company		104,000	104,000
Income tax payable		18,062	25,324
Lease liabilities		602	662
		2,064,513	1,777,559
Total current liabilities		2,064,513	1,777,559

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 JUNE 2020

	Notes	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Net current assets		1,839,289	1,580,390
Total assets less current liabilities		2,190,810	1,947,740
Non-current liabilities			
Lease liabilities		1,449	1,712
Bank borrowings	18	197,163	42,500
Total non-current liabilities		198,612	44,212
Net assets		1,992,198	1,903,528
CAPITAL AND RESERVES			
Share capital	19	7,138	7,138
Reserves		1,688,195	1,615,977
Equity attributable to the owners of the Company		1,695,333	1,623,115
Non-controlling interests		296,865	280,413
Total equity		1,992,198	1,903,528

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Equity attributable to the owners of the Company									
	Share capital RMB'000 (Note 19)	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Share-	Retained earnings RMB'000	Non- controlling interests RMB'000	Total RMB'000
							based			
							payment reserves RMB'000			
Unaudited										
For the six months ended										
30 June 2020										
At 1 January 2020	7,138	465,016	159,181	87,991	90,341	(5,062)	47,688	770,822	280,413	1,903,528
Exchange difference arising on translation of foreign operations	-	-	-	-	-	7,103	-	-	(1,161)	5,942
Profit for the period	-	-	-	-	-	-	-	65,115	17,613	82,728
Total comprehensive income for the period	-	-	-	-	-	7,103	-	65,115	16,452	88,670
Transfer from retained earnings to statutory reserve	-	-	-	7,460	-	-	-	(7,460)	-	-
At 30 June 2020	7,138	465,016	159,181	95,451	90,341	2,041	47,688	828,477	296,865	1,992,198

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Equity attributable to the owners of the Company									
	Share	Share	Capital	Statutory	Merger	Translation	Share-	Retained	Non-	Total
	capital	premium	reserve	reserve	reserve	reserve	based	earnings	controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	payment	RMB'000	interests	RMB'000
	(Note 19)						reserves			
Unaudited										
For the six months ended										
30 June 2019										
At 1 January 2019	1	–	159,181	71,677	90,341	(8,392)	–	687,397	245,060	1,245,265
Issuance of share capital	1,858	495,924	–	–	–	–	–	–	–	497,782
Share issue expense	–	(25,629)	–	–	–	–	–	–	–	(25,629)
Share issued pursuant to capitalisation issue	5,279	(5,279)	–	–	–	–	–	–	–	–
Equity-settled share-based transactions	–	–	–	–	–	–	31,902	–	–	31,902
Exchange difference arising on translation of foreign operations	–	–	–	–	–	(10)	–	–	(3)	(13)
Profit for the period	–	–	–	–	–	–	–	33,901	16,646	50,547
Total comprehensive income for the period	7,137	465,016	–	–	–	(10)	31,902	33,901	16,643	554,589
Transfer from retained earnings to statutory reserve	–	–	–	7,660	–	–	–	(7,660)	–	–
At 30 June 2019	7,138	465,016	159,181	79,337	90,341	(8,402)	31,902	713,638	261,703	1,799,854

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	89,872	61,747
Adjustments for:		
Share of profit of an associate	(47)	–
Depreciation of property, plant and equipment	3,856	4,389
Depreciation of right-of-use assets	799	735
Finance costs	40,218	31,461
Equity-settled share-based payment	–	31,902
Write-down of inventories to net realisable value	1,153	–
Impairment loss (reversed)/recognised on trade and retention receivables	(4,775)	2,930
Impairment loss reversed on deposits and other receivables	(1,209)	(1,991)
Interest income	(1,190)	(611)
Written off of property, plant and equipment	25	–
Operating profits before working capital changes	128,702	130,562
Increase in inventories	(314,640)	(72,598)
Decrease/(Increase) in trade and retention receivables	187,725	(38,439)
Increase in prepayments, deposits and other receivables	(125,331)	(278,875)
Increase in trade and bills payables	88,523	141,783
Increase in contract liabilities	74,048	68,853
Decrease in deposits received, other payables and accruals	(363)	(10,065)
Cash generated from/(used in) operations	38,664	(58,779)
Income tax paid	(14,897)	(16,965)
<i>Net cash generated from/(used in) operating activities</i>	23,767	(75,744)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,955)	(1,470)
Purchases of right-of-use assets – land use right	(5,180)	–
Increase in restricted bank deposits	(20,880)	(59,819)
Proceeds from disposal of financial assets at fair value through profit and loss	88,597	–
Interest received	1,190	611
<i>Net cash generated from/(used in) investing activities</i>	61,772	(60,678)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,053,503	750,350
Repayment of bank borrowings	(766,683)	(592,079)
Payment of lease liabilities	(390)	(389)
Interest paid	(40,274)	(31,391)
Decrease in amount due to a shareholder	—	(18,730)
Proceeds from issuance of shares	—	497,782
Share issue expenses	—	(25,629)
	<hr/>	<hr/>
<i>Net cash generated from financing activities</i>	246,156	591,914
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	331,695	443,492
Cash and cash equivalents at the beginning of the period	307,638	61,401
Effect of foreign exchange rates changes, net	5,848	(10)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	645,181	504,883
	<hr/>	<hr/>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION

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 in the People’s Republic of China (the “PRC”) is 16/F., No. 518 Shangcheng Road, Shanghai, PRC. The Company is an investment holding company and the Group is principally engaged in manufacture, installation and sales of customised prestressed steel materials and cables. The Company’s shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 28 May 2019.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 27 August 2020.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) have no material effect on these interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group’s annual financial statements for the year ended 31 December 2019.

2. BASIS OF PREPARATION (Continued)

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of interim condensed consolidated financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2019 consolidated financial statements.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. BDO Limited’s independent review report to the Board of Directors is included on page 3.

3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8 Conceptual Framework for Financial Reporting (Revised)	Definition of Material

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group’s accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2019.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and chief executive for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major products and service lines.

Based on the above, the Group's top management determined that the Group has two reportable segments. 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 extend parties for similar order.

(a) Segment revenue and results

For the six months ended 30 June 2020 (unaudited)

	Cables	Prestressed steel materials	Elimination	Segment total	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	407,456	371,200	–	778,656	–	778,656
Segment profit/(loss) before income tax expenses	49,880	46,032	–	95,912	(6,040)	89,872

5. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the six months ended 30 June 2019 (unaudited)

	Cables RMB'000	Prestressed steel materials RMB'000	Elimination RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from external customers	<u>341,009</u>	<u>414,961</u>	<u>–</u>	<u>755,970</u>	<u>–</u>	<u>755,970</u>
Segment profit/(loss) before income tax expenses	<u>60,939</u>	<u>45,591</u>	<u>–</u>	<u>106,530</u>	<u>(44,783)</u>	<u>61,747</u>

(b) Segment assets and liabilities

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

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Segment assets		
Cables	2,406,920	2,090,992
Prestressed steel materials	1,109,419	1,172,961
Segment assets	3,516,339	3,263,953
Unallocated	738,984	461,346
Total assets	4,255,323	3,725,299

5. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Segment liabilities		
Cables	1,914,970	1,448,079
Prestressed steel materials	347,926	288,689
Segment liabilities	2,262,896	1,736,768
Unallocated	229	85,003
Total liabilities	2,263,125	1,821,771

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

For the six months ended 30 June 2020 (unaudited)

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	63	154	217	973	1,190
Government grants	5,454	3,751	9,205	49	9,254
Finance costs	(30,286)	(9,932)	(40,218)	–	(40,218)
Income tax expenses	(4,517)	(2,627)	(7,144)	–	(7,144)
Depreciation of right-of-use assets	(428)	(371)	(799)	–	(799)
Share of profit of associate	–	47	47	–	47
Depreciation of property, plant and equipment	(2,286)	(1,570)	(3,856)	–	(3,856)
Impairment loss reversed on trade receivables and retention receivables	3,752	1,023	4,775	–	4,775
Impairment loss reversed on deposits and other receivables	1,206	3	1,209	–	1,209
Write-down of inventories to net realisable value	–	(1,153)	(1,153)	–	(1,153)
Additions to property, plant and equipment	(1,947)	(8)	(1,955)	–	(1,955)

5. SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2019 (unaudited)

	Cables	Prestressed steel materials	Segment total	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	253	358	611	–	611
Government grants	2,550	354	2,904	–	2,904
Finance costs	(31,457)	(4)	(31,461)	–	(31,461)
Income tax expenses	(6,057)	(5,143)	(11,200)	–	(11,200)
Depreciation of right-of-use assets	(428)	(307)	(735)	–	(735)
Depreciation of property, plant and equipment	(2,597)	(1,792)	(4,389)	–	(4,389)
Impairment loss reversed/(recognised) on trade receivables and retention receivables	(3,266)	336	(2,930)	–	(2,930)
Impairment loss (recognised)/reversed on deposits and other receivables	1,992	(1)	1,991	–	1,991
Additions to non-current assets	(1,012)	(458)	(1,470)	–	(1,470)
Equity-settled share-based payment	–	–	–	(31,902)	(31,902)

(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 the period.

5. SEGMENT INFORMATION (Continued)

(e) Information about major customers

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

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Customer A ¹	130,614	*3
Customer B ²	121,243	*3
Customer C ²	*3	86,703
	<u>251,857</u>	<u>86,703</u>

Notes:

¹ Revenue from sales of cables.

² Revenue from sales of prestressed steel materials.

³ Less than 10% of the Group's revenue.

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

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000 Audited
Trade and retention receivables	1,001,208	1,184,158
Contract liabilities	<u>156,341</u>	<u>82,293</u>

6. REVENUE (Continued)

Timing of revenue recognition

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

At a point in time

	Unaudited six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Sales of customised prestressed steel materials and cables	775,828	751,480

Over time

	Unaudited six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Provision of installation services	2,828	4,490

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. Accordingly, the Group has two reportable segments and analysis of these two segments are presented in Note 5.

Unsatisfied performance obligations

As at 30 June 2019 and 2020, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) were approximately RMB478,666,000 and RMB966,251,000 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.

7. FINANCE COSTS

	Unaudited six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest expense on bank borrowings	40,152	31,391
Interest expense on lease liabilities	66	70
	<u>40,218</u>	<u>31,461</u>

8. PROFIT BEFORE INCOME TAX EXPENSE

The Group's operating profit is arrived at after charging:

	Unaudited six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Auditors' remuneration	500	128
Cost of inventories sold (Note i)	568,714	564,319
Listing expenses – HKEX	–	12,149
Employee costs (Note 9)	<u>30,605</u>	<u>52,578</u>

Note:

- (i) Cost of inventories sold for the six months ended 30 June 2019 and 2020 includes approximately RMB22,287,000 and RMB22,035,000 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 respectively.

9. EMPLOYEE COSTS

	Unaudited six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	24,525	15,834
Contributions to retirement benefits scheme	2,559	2,988
Equity-settled share-based payment	–	31,902
Other employee benefits	3,521	1,854
	<u>30,605</u>	<u>52,578</u>

10. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)		
– for the period	9,508	9,758
– Over provision in the prior periods	(3,245)	(1,360)
	<u>6,263</u>	<u>8,398</u>
Deferred tax		
– for the period	881	2,802
Income tax expense	<u>7,144</u>	<u>11,200</u>

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 High and New-Tech enterprises according to the PRC tax regulations and are entitled to a preferential tax rate of 15% for the period.

11. INTERIM DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately RMB65,115,000 (six months ended 30 June 2019: RMB33,901,000). The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the period ended 30 June 2020 of 811,044,000 shares (six months ended 30 June 2019: 633,701,467 shares).

(b) Diluted earnings per share

For the six months ended 30 June 2020, the calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company of RMB65,115,000 (six months ended 30 June 2019: RMB33,901,000). The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the period ended 30 June 2020 of 815,860,135 shares (six months ended 30 June 2019: 635,170,621 shares).

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

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	65,115	33,901
	Number of shares 2020	Number of shares 2019
Number of Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	811,044,000	633,701,467
Effect of dilution – weighted average number of ordinary shares: Share options	4,816,135	1,469,154
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	815,860,135	635,170,621

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of plant and machinery with a cost of approximately RMB1,955,000 (six months ended 30 June 2019: RMB1,470,000). There are no items of plant and machinery being disposed during the six months ended 30 June 2020 and 2019. Items of plant and machinery with a net book value of approximately RMB25,000 were written down during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

In addition, the Group has acquired a land use right in PRC during the six months ended 30 June 2020. Right-of-use assets amounted to approximately RMB6,400,000 has been recognised for the current period.

14. INTANGIBLE ASSETS

	Technology know-how RMB'000
Cost	
At 31 December 2019 and 30 June 2020	6,250
Accumulated depreciation	
At 31 December 2019 and 30 June 2020	6,250
Net book value	
At 30 June 2020 (unaudited)	—
At 31 December 2019 (audited)	—

15. INTEREST IN AN ASSOCIATE

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Share of net assets other than goodwill	13,575	13,528
Goodwill	90,467	90,467
	104,042	103,995

Details of the Group's associate are as follows:

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

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Current assets	49,178	48,748
Non-current assets	4,792	5,931
Current liabilities	(1,190)	(2,082)
Non-current liabilities	(565)	(565)
Net assets	52,214	52,032
Group's share of the net assets of the associate	13,575	13,528

	For the period/year 30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000
Revenues	5,842	11,113
Profit/(loss) from continuing operations	182	(21)
Other comprehensive income	—	—
Total comprehensive income	182	(21)

16. TRADE AND RETENTION RECEIVABLES

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Trade receivables	932,171	1,125,781
Retention receivables	98,315	92,430
Less: allowance for doubtful debts	(29,278)	(34,053)
Trade and retention receivables, net	1,001,208	1,184,158

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 invoice dates, as of the end of the reporting period:

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Within 3 months	346,604	626,132
Within 4 – 6 months	266,839	245,313
Within 7 – 12 months	279,925	104,654
More than 1 year but less than 2 years	76,085	163,714
More than 2 years but less than 3 years	22,995	25,701
More than 3 years but less than 4 years	7,747	17,270
More than 4 years but less than 5 years	1,013	1,374
	1,001,208	1,184,158

17. TRADE AND BILLS PAYABLES

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Trade payables	194,686	188,357
Bills payables	481,914	399,720
	676,600	588,077

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

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Within 3 months	94,917	144,085
Within 4 – 6 months	61,261	16,012
Within 7 – 12 months	24,601	13,389
More than 1 year but less than 2 years	8,617	11,196
More than 2 year but less than 3 years	2,772	964
More than 3 year but less than 4 years	251	376
More than 4 year but less than 5 years	275	387
Over 5 years	1,992	1,948
	194,686	188,357

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.

18. BANK BORROWINGS

	As at 30 June 2020 RMB'000 Unaudited	As at 31 December 2019 RMB'000
Current		
<i>Secured interest-bearing</i> short-term bank loans	1,036,340	904,306
Non-Current		
<i>Secured interest-bearing</i> long-term bank loans	197,163	42,500
	1,233,503	946,806
Analysed based on scheduled repayment terms set out in the loan agreements, into:		
Repayable on demand or within one year	1,036,340	904,306
More than one year, but not exceeding five years	197,163	42,500
	1,233,503	946,806

The bank borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 0.03% to 8.80% at 30 June 2020 (31 December 2019: from 0.08% to 8.80%) respectively.

The bank loans are secured by:

- certain buildings, leasehold improvement and machineries included in property, plant and equipment (Note 13), prepaid land lease payments and trade and retention receivables (Note 16);
- personal guarantees executed by Dr. Tang Liang, a director of the Company and corporate guarantees given by independent third parties and Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) Innovation Materials Co., Ltd, Shanghai Ossen Investment Holdings (Group) Co. Limited, Shanghai Ossen Investment Co. Limited, Ossen Innovation Materials Co. Limited, Shanghai Innovation Material Technology Research Institute Company Limited and Shanghai Pujiang Cable Co., Limited, Shanghai New Materials Industry Technology Research Institute Co Ltd and Pujiang International Group Limited.

19. 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 2019	168,760	1
Capitalisation issue (Note (a))	599,831,240	5,279
Share issuance (Note (b) to (c))	211,044,000	1,858
	<hr/>	<hr/>
At 31 December 2019, 1 January 2020 and 30 June 2020	811,044,000	7,138
	<hr/>	<hr/>

Note (a): On 28 May 2019, the Company issued a total of 559,831,240 ordinary shares by way of capitalising an amount of HK\$5,998,312.40 from the share premium account of the Company (the "Capitalisation issue") arising from global offering.

Note (b): On 28 May 2019, 200,000,000 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (c): On 25 June 2019, 11,044,000 ordinary shares of HK\$0.01 were allotted and issued by the Company.

20. 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. 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.

The following share options were outstanding under the scheme during the period:

	Six months ended 30 June			
	Weighted average exercise price 2020 HK\$	Number 2020	Weighted average exercise price 2019 HK\$	Number 2019
Outstanding at beginning of the period	3.11	42,000,000	—	—
Granted during the period	—	—	2.80	32,000,000
Outstanding at the end of the period	3.11	42,000,000	2.80	32,000,000

The share options outstanding at 30 June 2020 and 30 June 2019 had an exercise price of HK\$3.11 and HK\$2.80, respectively and a weighted-average remaining contractual life of 9.5 years (30 June 2019: 10 years).

Of the total number of options outstanding at the end of the period, no share option were exercisable at the end of both periods.

The weighted average share price at the date of exercise of options exercised during the period was HK\$3.11 (six months ended 30 June 2019: HK\$2.80).

The weighted average fair value of Share Option 1 and Share Option 2 granted during the both years were HK\$36,630,000 and HK\$17,597,000, respectively.

The share-based payments of RMB31,902,000 was recognised in profit or loss during the six month period ended 30 June 2019.

20. SHARE OPTION SCHEME (Continued)

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the Group.

Equity-settled

	Share Option 1 Binominal Option Pricing Model	Share Option 2 Binominal Option Pricing Model
Option pricing model used		
Weighted average share price at grant date	HK\$2.80	HK\$4.09
Exercise price	HK\$2.80	HK\$4.09
Weighted average contractual life	10 years	10 years
Expected volatility	47.61%	50.06%
Expected dividend rate	3.50%	3.50%
Risk-free interest rate	1.34%	1.49%

21. RELATED PARTY TRANSACTIONS

There are no related party transactions for six months ended 30 June 2020 and 30 June 2019.

The compensation of key management personnel, representing remuneration of the Company's directors, for the six months ended 30 June 2020 was RMB472,730 (six months ended 30 June 2019: RMB4,288,000).

22. FINANCIAL RISK MANAGEMENT

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

	Unaudited 30 June 2020 Carrying amount RMB'000	Audited 31 December 2019 Carrying amount RMB'000
Financial assets		
At amortised cost		
– Trade and retention receivables	1,001,208	1,184,158
– Deposit and other receivables	258,664	167,181
– Restricted bank deposits	239,584	218,704
– Cash and cash equivalents	645,181	307,638
Financial liabilities		
At amortised cost		
– Trade and bills payables	676,600	588,077
– Other payables and accruals	253	1,486
– Bank borrowings	1,233,503	946,806
– Amounts due to related company	104,000	104,000

(a) 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:

- 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.

22. FINANCIAL RISK MANAGEMENT (Continued)

(a) Fair value (Continued)

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and retention receivables, deposit and other receivables, trade and bills payables, other payables and accruals, amounts due to related parties and bank borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and retention receivables, deposit and other receivables, restricted bank deposits, trade and bills payables, other payables and accruals, and amounts due to related parties 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 30 June 2020 and 31 December 2019.

23. IMPACTS OF CORONAVIRUS DISEASE 2019 (“COVID-19”) PANDEMIC

Since the outbreak of COVID-19 in early 2020, the pandemic has continued to spread and impacted global business and economic activities. The Group has implemented certain precautionary measures to maintain a hygienic working environment include sanitising the workplace regularly, requiring staff and subcontractors to wear face masks in workplaces. The Group will pay close attention to the development of the COVID-19 and evaluate its impact on the financial position and operating results of the Group. As at the date of this interim report, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19.

24. EVENTS AFTER THE REPORTING PERIOD

On 30 July 2020, Chao Ao Investment Shanghai Co. Ltd (“ChaoAo Investment”), a subsidiary of the Group as investor entered into a capital injection agreement with Shanghai International Superconductor Technology Co. Ltd (“SH Superconductor”), pursuant to which ChaoAo Investment agreed to inject RMB166 million into SH Superconductor by way of capital injection, along with other investors. Upon completion, the Group will hold 40% equity interest in SH Superconductor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board (the “Board”) of directors (the “Directors”) of Pujiang International Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”, “we” or “our”) for the six months ended 30 June 2020 (the “Reporting Period”).

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

During the Reporting Period, the Group has two main reporting business segments, namely, the business which manufactures bridge 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 six months ended 30 June 2020, the total revenue of the Group amounted to RMB778.7 million, representing an increase of 3.0% as compared to the corresponding period in 2019.

The Group recorded profit for the period of RMB82.7 million for the six months ended 30 June 2020, representing an increase of 63.7% as compared to the corresponding period in 2019; and a decrease of 12.5% compared to the adjusted net profit of RMB94.6 million for the first half of 2019 which excludes the listing expenses and equity-settled share-based payment incurred during the first half of 2019. The gross profit margin for the Group improved from 25.4% for the first half of 2019 to 27.0% for the first half of 2020 mainly due to the improved gross profit margin of the Prestressed Materials Business. The Group’s revenue is subject to seasonality and is generally lower during the first quarter each year primarily due to the Chinese New Year holidays and the cold weather in the Northern region of China during winter season. During the Reporting Period, the Group’s sales and operations were slightly affected by the widespread of the COVID-19 pandemic in China as many cities imposed travel and work restrictions in efforts to curb the spread of COVID-19 and therefore many of the construction projects in mainland China were delayed. Further, the Group’s manufacturing facilities situated in Jiujiang, Maanshan and Xitang were temporarily closed after the Chinese New Year holidays until mid-February 2020 for the Xitang site, and until the second week of March 2020 for the Jiujiang and Maanshan Site, and therefore sales to customers was affected in February 2020. The Group will continue to monitor the impact on the operations and results of the Group brought by the COVID-19 pandemic.

In terms of technology enhancement activities, as of 30 June 2020, the Group obtained 5 new registered patents and made 61 new patent applications since January 2020. For the Cable Business, the Group has successfully developed a 1860MPa-level strength galvanised magnesium alloy for suspension cables and hangers and heat-resistant protection systems; and for the Prestressed Materials Business, the Group has developed a new type of 15.2mm 1960MPa-high strength galvanised strands and high performance steel wires drawing-molding technique and degreasing-cooling vacuum acid-bath technology for the prestressed wires production lines. During the first half of 2020, the Group was awarded the following prizes:

BUSINESS REVIEW (Continued)

Award

2019 Industrial Economy Top 20 Enterprise

Outstanding Technology Innovation Enterprise
(Top 10 Innovative Enterprise)

Award Authority

Cihu High New Technology Industrial Region
Administrative Authority

Jiashan Provincial Government

In terms of business development, the Group was awarded 27 new tenders and had signed new contracts with a total contract value of approximately RMB571.4 million for the Cable Business. As of 30 June 2020, the Group had 38 on-going projects with a backlog amounting to RMB966.3 million⁽¹⁾. With the on-going projects in hand, including the Shenzhen-Zhongshan Link – Lingding Yang Bridge, the Oujang North Estuary Bridge in China and 1915 Canakkale Bridge in Turkey, the Group expects that the revenue from the Cable Business will continue to grow in 2020. Below sets out some of the key on-going projects of the Cable Business:

- 1915 Canakkale Bridge in Turkey
- Shenzhen-Zhongshan Link – Lingding Yang Bridge, China (深中通道伶仃洋大橋)
- Oujang North Estuary Bridge in Zhejiang Province, China (甌江北口大橋)
- Jianyuan Highspeed Bridge in Yunnan Province, China (建元高速特大橋)
- Wujiang Bridge in Guizhou Province, China (烏江大橋)
- Fenglin Bridge in Guizhou Province, China (貴州峰林特大橋)
- Wujiagang Yangtze River Bridge in Hubei Province, China (伍家崗長江大橋)
- Chaohu Lake Bridge in Anhui Province, China (巢湖大橋)
- Taoyuan Jinsha River Bridge in Yunnan Province, China (濤源金沙江大橋)
- Qinglong Gate Bridge in Zhejiang Province, China (青龍門特大橋)

Note:

1. 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)

The Group also continued to identify suitable investment opportunities which can complement with the Group's business. In July 2020, the Group made an investment of RMB166.0 million in Shanghai International Superconductor Technology Co. Ltd (上海國際超導科技有限公司) ("Shanghai Superconductor") by way of capital injection to acquire 40% equity interest in Shanghai Superconductor. Shanghai Superconductor is principally engaged in the provision of superconducting cables solutions as well as the research and development of superconducting cables technologies for power grids. As superconducting cables is a fast growing technology with industrial demand in China, the Group believes that Shanghai Superconductor presents a good investment for the Group and in line with the Group's business development and strategies. Please refer to the paragraph headed "Material Acquisitions, Disposal and Significant Investments" below for more details.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

	Unaudited six months ended 30 June			
	2020		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Revenue				
Cable Business:				
Suspension cables projects	253,126	32.5	233,215	30.8
Stay cables projects	147,965	19.0	101,129	13.4
Others-installation projects	2,257	0.3	4,833	0.7
Others-sale of scrap materials	4,108	0.5	1,832	0.2
	<u>407,456</u>	<u>52.3</u>	<u>341,009</u>	<u>45.1</u>
Prestressed Materials Business:				
Plain surface prestressed products	7,518	1.0	6,853	0.9
Rare earth prestressed products	282,877	36.3	338,239	44.7
Galvanised prestressed products	78,956	10.1	67,369	8.9
Other steel materials	1,849	0.3	2,500	0.4
	<u>371,200</u>	<u>47.7</u>	<u>414,961</u>	<u>54.9</u>
	<u>778,656</u>	<u>100.0</u>	<u>755,970</u>	<u>100.0</u>

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Revenue (Continued)

Revenue increased by 3.0% from RMB756.0 million in the first half of 2019 to RMB778.7 million in the first half of 2020, mainly attributable to the increase in revenue from the Cable Business.

Revenue generated from the Cable Business increased by 19.5% from RMB341.0 million in the first half of 2019 to RMB407.5 million in the first half of 2020, mainly attributable to the increase in the number of bridge cable projects.

Revenue generated from the Prestressed Materials Business decreased by 10.5% from RMB415.0 million in the first half of 2019 to RMB371.2 million in the first half of 2020, mainly attributable to a decrease in sales of rare earth coated prestressed products.

Gross profit and gross profit margin

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

	Unaudited six months ended 30 June			
	2020		2019	
	Gross Profit		Gross Profit	
	Gross Profit RMB'000	Margin %	Gross Profit RMB'000	Margin %
Cable Business	138,018	33.9	123,100	36.1
Prestressed Materials Business	71,923	19.4	68,551	16.5
Total	209,941	27.0	191,651	25.4

Gross profit increased by 9.5% from RMB191.7 million in the first half of 2019 to RMB209.9 million in the first half of 2020.

Overall gross profit margin increased from 25.4% in the first half of 2019 to 27.0% in the first half of 2020, which was primarily due to an increase in gross profit margin of the Prestressed Materials Business. The gross profit margin of the Cable Business decreased from 36.1% in the first half of 2019 to 33.9% in the first half of 2020 due to project mix compared to the corresponding period in 2019. The gross profit margin of the Prestressed Materials Business increased from 16.5% in the first half of 2019 to 19.4% in the first half of 2020 due to an increase in gross profit margin of galvanised prestressed products and rare earth coated prestressed products.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Distribution and selling expenses

Distribution and selling expenses of the Group increased by 133.9% from RMB9.7 million in the first half of 2019 to RMB22.7 million in the first half of 2020. The increase in distribution and selling expenses was mainly attributable to the increase in transportation expenses due to the delivery of high volume of cables for the 1915 Canakkale Bridge project in Turkey.

Administrative expenses

Administrative expenses of the Group decreased by 10.8% from RMB32.8 million in the first half of 2019 to RMB29.3 million in the first half of 2020. The decrease in administrative expenses was mainly attributable by the decrease in the one-off expenses incurred for the preparation of the listing on the Hong Kong Stock Exchange in May 2019.

Research and development expenses

Research and development expenses increased by 25.9% from RMB24.9 million in the first half of 2019 to RMB31.3 million in the first half of 2020. This increase was primarily attributable to an increase in additional resources for the development of new technologies such as the stayed-cable deep-water and high-water pressure vacuum simulation testing device and the high-speed shaping device for main cable on suspension bridges for the Cable Business.

Finance costs

Finance costs increased by 27.8% from RMB31.5 million in the first half of 2019 to RMB40.2 million in the first half of 2020. This increase was primarily attributable to an increase in bank borrowings.

Other losses

Other losses increased by 151.5% from RMB2.8 million in the first half of 2019 to RMB7.1 million in the first half of 2020 mainly due to net foreign currency exchange losses.

Income tax expenses

Income tax expenses decreased by 36.2% from RMB11.2 million in the first half of 2019 to RMB7.1 million in the first half of 2020. This decrease was primarily attributable to the increase in deductible expenses for income tax purposes such as research and development expenses.

Profit for the period

As a result of the foregoing, the Group recorded a profit of RMB82.7 million, representing an increase of 63.7% as compared to RMB50.5 million in the same period of 2019. The profit for the first half of 2020 decreased by 12.5% compared to the adjusted net profit of RMB94.6 million for the first half of 2019 mainly due to an increase in distribution and selling expenses as well as net foreign currency exchange losses for the first half of 2020.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Non-HKFRS measure – Adjusted net profit for the six months ended 30 June 2019 and 2020

To supplement the Group's consolidated interim results which are prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), the adjusted net profit is presented as an additional financial measure to eliminate the effect of equity-settled share-based payment and listing expenses for the six months ended 30 June 2019, in which the Group's management does not consider them to be indicative of our operating performance. The term of adjusted net profit is not defined under HKFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the profit for the six months ended 30 June 2020 and 2019. The adjusted net profit is presented because it is used by the Group's management to evaluate its operating performance. The Group also believes that this non-HKFRS measure provides useful information to investors and others in understanding and evaluating our consolidated interim results of operations in the same manner as the management and in comparing financial results across accounting periods and to those of our peer companies.

We compensate for these limitations by reconciling the financial measure to the nearest HKFRS performance measure, all of which should be considered when evaluating the Group's performance. The following table reconciles the adjusted net profit for the six months ended 30 June 2020 and 2019 presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the period:

	Unaudited six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Profit for the period	82,728	50,547
Add:		
Equity-settled share-based payment	–	31,902
Listing expenses – HKEx	–	12,149
Adjusted net profit	82,728	94,598
Adjusted net profit attributable to owners of the Company	65,115	77,952
Adjusted diluted earnings per share (Note)	RMB0.0798	RMB0.1227

Note: Adjusted diluted earnings per share is calculated by dividing adjusted profit attributable to owners of the Company by the weighted average number of ordinary shares with the effect of dilution for the corresponding period. Please refer to note 12 of the notes to the unaudited interim condensed consolidated financial statements for the calculation of the weighted average number of ordinary shares with the effect of dilution for the corresponding period.

In light of the foregoing limitations for the above non-HKFRS measure, when assessing the Group's operating and financial performance, investors and others should not consider adjusted net profit in isolation or as a substitute for the Group's profit for the six months ended 30 June 2020 and 2019, gross profit or any other operating performance measures that are calculated in accordance with HKFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Working capital

The Group's operations are working capital intensive due to the nature of the industry, which is inherent in the business model. The Group utilises a significant amount of working capital for upfront prepayment to the suppliers to procure raw materials for the products and to provide deposit guarantees (in terms of tender and performance bonds) for the Cable Business. In the first half of 2020, the Group mainly funded the cash requirements through a combination of cash and cash equivalents, banking credit facilities, and net cash flows from operating activities. Going forward, in order to fund the Group's increasing working capital needs due to business expansion and the future plans (including capital expenditure for the construction of production facility in Jiujiang and the R&D Centre) as disclosed in the paragraph headed "Use of Proceeds", 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.

As at 30 June 2020, the Group recorded net current assets amounting to RMB1,839.3 million (31 December 2019: RMB1,580.4 million). As at 30 June 2020, the cash and cash equivalents of the Group amounted to RMB645.2 million (31 December 2019: RMB307.6 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 30 June 2020, was 1.89 (31 December 2019: 1.89).

Cash flows

Cash flows from operating activities

For the six months ended 30 June 2020, our cash generated from operating activities was RMB38.7 million (excluding income tax paid of RMB14.9 million), while profit before income tax was RMB89.9 million. Changes in working capital consisted mainly of (i) an increase of RMB314.6 million in inventories for the production of upcoming bridge projects; (ii) a decrease of RMB187.7 million in trade and retention receivables for sales mainly due to the settlement of outstanding receivables in relation to the projects of 1915 Canakkale Bridge in Turkey and Wujiang Bridge in China during the first half of 2020; and (iii) an increase of RMB125.3 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.

Cash flows from investing activities

For the six months ended 30 June 2020, net cash generated from investing activities was RMB61.8 million. This consisted mainly of the proceeds of RMB88.6 million from the disposal of an investment product purchased in July 2019 and an increase in restricted bank deposits of RMB20.9 million.

Cash flows from financing activities

For the six months ended 30 June 2020, net cash generated from financing activities was RMB246.2 million. This consisted mainly of net bank borrowings of RMB286.8 million mainly used for working capital purposes partly offset by interest paid of RMB40.3 million.

Bank borrowings

As at 30 June 2020, the outstanding bank borrowings of the Group was RMB1,233.5 million (31 December 2019: RMB946.8 million). The gearing ratio (calculated by dividing total debt by total equity) as at 30 June 2020 was 61.9% (31 December 2019: 49.7%). The increase in the gearing ratio was due to the increase in bank borrowings.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Charge on assets

As at 30 June 2020, leasehold land and buildings with carrying amount of approximately RMB57.7 million have been pledged to secure a banking facility granted to the Group and bank deposits with RMB22.5 million have been pledged to secure a bank borrowing granted to the Group.

As at 30 June 2020, bank borrowings of approximately RMB1,233.5 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.

Capital structure

As at 30 June 2020, the issued share capital of the Company was RMB7,138,000, divided into 811,044,000 Shares of nominal value of HK\$0.01 each.

Contingent liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.

USE OF PROCEEDS

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

Business objectives as stated in the prospectus	Percentage of proceeds adjusted based on the actual net proceeds received ^{Note 1}	Use of proceeds adjusted according to the actual net proceeds from the Listing (RMB million)	Actual amount utilised (RMB million)	Expected timeline of full utilisation of the remaining balance
Repayment of banking facilities ^{Note 2}	27.2%	122.8	122.8	–
Acquisition of business ^{Note 3}	24.2%	109.4	–	First half of 2021
Expansion of production facility for Prestressed Materials Business ^{Note 4}	21.1%	95.5	6.1	First half of 2021
Expansion of research and development centre for Cable Business ^{Note 5}	13.4%	60.4	0.1	First half of 2021
Working capital	9.6%	43.4	40.0	First half of 2021
Purchase of additional production equipment and environmental protection facilities ^{Note 6}	4.5%	20.4	–	First half of 2021
Total	100%	451.9	169.0	

USE OF PROCEEDS (Continued)

Notes:

1. The percentage (except for the repayment of banking facilities) were adjusted on a pro rata basis based on the percentage as disclosed in the prospectus of the Company dated 17 May 2019 (the "Prospectus").
2. The repayment of banking facilities of RMB122.8 million was made pursuant to the irrevocable instruction to repay part of a loan. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial Independence" in the Prospectus for details. As of the date of this report, the full amount of RMB122.8 million has been applied.
3. As of the date of this report, the Company has yet to identify an acquisition target. Due to the COVID-19 pandemic situation in China, many business activities have been temporarily suspended which have affected the business performance of potential acquisition targets. The Company will continue to seek for acquisition target(s) that would be beneficial to the Group and will comply in full with all applicable 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 acquired the land site for the new production facility in Jiujiang, Jiangxi Province and is commencing the pre-construction work including the surveying and design.
5. As of the date of this report, the Company has obtained the construction approval from the relevant government authorities, and construction work is expected to commence in the 4th quarter of 2020.
6. As at the date of this report, the Company has started its design of the environmental protection facilities and is pending for government approval on the design plan.

INTERIM DIVIDEND

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MARKET REVIEW AND OUTLOOK

In the first quarter of 2020, China's economy slowed down due to the COVID-19 pandemic and in particular, many infrastructure projects were delayed due to the lockdown or travel restrictions in various cities. The COVID-19 pandemic in China was alleviated and remained since March 2020 and the government of the People's Republic of China (the "PRC government") implemented various policies in order to stimulate the economy and boost the overall economic growth in 2020. As discussed in a meeting of the Political Bureau of the PRC in March 2020, the PRC government plans to stabilise the economy by boosting domestic demand and it is expected that domestic investment in infrastructure will play an important role in revitalizing the economy. Recently, the PRC government has started to provide more funding and financing to the local government to catch up with the delayed progress of infrastructure projects.

The Group shall continue to take advantage of the governments' initiatives in transportation infrastructure sector as addressed in the "13th-Five Year Plan" promulgated by the PRC government in 2017 and other directives in relation to the improvement of transportation infrastructure aiming at alleviating poverty in certain areas by providing residents better access to and from other regions. As such, the growth in the infrastructure construction industry in China in 2020 is expected to remain strong.

It is expected that the Group's production and sales orders will resume normality in the second half of 2020. The COVID-19 pandemic may however, still have an adverse effect on the overall financial performance of the Group in 2020 although the Company cannot quantify the overall impact for the time being. In 2020, the Company intends to continue to focus the growth in the sales in the Cable Business as well as the sales in galvanised prestressed products.

By Order of the Board
Pujiang International Group Limited
Dr. Tang Liang
Chairman of the Board

Hong Kong, on 27 August 2020

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of 30 June 2020, 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 that are taken or deemed to have under such provisions of the SFO) were as follows:

(i) Interest in shares of the Company

Name of the director	Capacity	Number of shares interested ⁽¹⁾	Approximate shareholding percentage
Dr. Tang Liang (“Dr. Tang”)	Interest of a controlled corporation ⁽²⁾	535,652,064 (L)	66.04%
Mr. Ni Xiaofeng	Beneficial owner	1,300,000 (L)	0.16%
Mr. Zhou Xufeng	Beneficial owner	2,520,000 (L)	0.31%

Notes:

1. The letter “L” denotes the entity/person’s long position in the Shares.
2. The 535,652,064 Shares are held by Elegant Kindness Limited (“Elegant Kindness”) which is in turn wholly owned by Dr. Tang. Dr. Tang is deemed or taken to be interested in all the Shares held by Elegant Kindness Limited for the purposes of SFO.

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

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

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

Save as disclosed above, as of 30 June 2020, 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 30 June 2020, as far as is known to the Directors, the following person (not being the Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Nature of interest	Number of shares interested ⁽¹⁾	Approximate shareholding percentage
Elegant Kindness	Beneficial owner	535,652,064 (L)	66.04%

Note:

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

Save as disclosed above, and as of 30 June 2020, 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”) pursuant to the shareholders’ written resolution passed on 24 April 2019. As of 30 June 2020, an aggregate of 42,000,000 share options were granted under the Scheme.

Details of the movement in options granted under the Scheme during the Reporting Period were as follows:

Grantee	Date of grant	Number of share options				As at 30 June 2020	Exercise period	Exercise price per share
		As at 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period			
Director								
Mr. Zhou Xufeng	3 June 2019	630,000	-	-	-	630,000	3 June 2022 to 2 June 2029	HK\$2.80
		630,000				630,000	3 December 2022 to 2 June 2029	HK\$2.80
		630,000				630,000	3 June 2023 to 2 June 2029	HK\$2.80
		630,000				630,000	3 December 2023 to 2 June 2029	HK\$2.80
Mr. Ni Xiaofeng	3 June 2019	325,000	-	-	-	325,000	3 June 2022 to 2 June 2029	HK\$2.80
		325,000				325,000	3 December 2022 to 2 June 2029	HK\$2.80
		325,000				325,000	3 June 2023 to 2 June 2029	HK\$2.80
		325,000				325,000	3 December 2023 to 2 June 2029	HK\$2.80
Others								
Other employees in aggregate	3 June 2019	7,045,000	-	-	-	7,045,000	3 June 2022 to 2 June 2029	HK\$2.80
		7,045,000				7,045,000	3 December 2022 to 2 June 2029	HK\$2.80
		7,045,000				7,045,000	3 June 2023 to 2 June 2029	HK\$2.80
		7,045,000				7,045,000	3 December 2023 to 2 June 2029	HK\$2.80
	23 October 2019	2,500,000	-	-	-	2,500,000	23 October 2022 to 22 October 2029	HK\$4.092
		2,500,000				2,500,000	23 April 2023 to 22 October 2029	HK\$4.092
		2,500,000				2,500,000	23 October 2023 to 22 October 2029	HK\$4.092
		2,500,000				2,500,000	23 April 2024 to 22 October 2029	HK\$4.092
		42,000,000	-	-	-	42,000,000		

None of the shares granted under the Scheme were exercised, cancelled or lapsed during the Reporting Period.



EVENTS AFTER THE REPORTING PERIOD

Save for the acquisition of 40% equity interest in Shanghai Superconductor disclosed in the paragraph headed “Material Acquisitions, Disposal and Significant Investments” below, there were no other significant events occurred subsequent to 30 June 2020 and up to the date of this report.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2020, the total number of employees in the Group was 461 (31 December 2019: 461). The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance.

MATERIAL ACQUISITIONS, DISPOSAL AND SIGNIFICANT INVESTMENTS

On 30 July 2020, Chao Ao Investment Shanghai Co., Ltd. (超傲投資(上海)有限公司), an indirect wholly-owned subsidiary of the Company, as investor entered into a capital injection agreement with Shanghai Superconductor, to inject RMB166.0 million into Shanghai Superconductor by way of capital injection, along with other investors including Shanghai Electric Cable Research Co., Ltd. (上海電纜研究所有限公司), Shanghai Electric Power Transmission and Distribution Group Co., Limited (上海電氣輸配電集團有限公司), State Grid Shanghai Electricity Co., Limited (國網上海市電力公司) and Shanghai Zongjin Energy Technology Co., Ltd. (上海宗錦能源科技有限公司). Upon completion of the investment, Chao Ao Investment Shanghai Co., Ltd shall hold 40% equity interest in Shanghai Superconductor.

Shanghai Superconductor is a company established in the PRC with limited liability. It is principally engaged in the provision of superconducting cables solutions as well as the research and development of superconducting cables technologies for power grids. Shanghai Superconductor holds 12 registered patents and six software copyrights and leading technology know-how in designing and building superconducting cables in China. For more details about the investment, please refer to the announcement of the Company dated 30 July 2020.

Save as disclosed above, the Group did not have any other material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries and associated companies, or significant investments during the Reporting Period nor had any plan to make any material investment in or acquisition of capital assets as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the Reporting Period.

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.



REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2020 have not been audited but have been reviewed by the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s unaudited condensed consolidated interim results and interim report for the six months ended 30 June 2020 prepared in accordance with the HKAS and agreed to the accounting principles and practices adopted by the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 during the Reporting Period.

During the Reporting Period, the Company is not aware of any incident of non-compliance of the Model Code by the relevant employees.

CHANGE IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B of the Listing Rules, the change in information of Director subsequent to the publication of the 2019 annual report of the Company is set out below:

Ms. Pan Yingli has been appointed as an independent non-executive director of Asia Cuanon Technology Shanghai Co. Ltd. (stock code of Shanghai Stock Exchange: 603378) with effect from 15 May 2020.