浦江國際集團
PUJIANG INTERNATIONAL GROUP LIMITED

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

ANNUAL REPORT
2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(CEO)*
Ms. Zhang Weiwen (resigned on 17 March 2021)
Mr. Ni Xiaofeng
Mr. Hua Wei (appointed 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. Choy Yee Man (resigned on 27 October 2020)
Ms. Wong Yik Han (appointed on 27 October 2020 and 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

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

HONG KONG SHARE REGISTRAR

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

COMPLIANCE ADVISER

Haitong International Capital Limited

PRINCIPAL 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 (the "Company", and together with its subsidiaries, the "Group"), the annual report of the Group for the financial year ended 31 December 2020.

2020 was a new starting point for the Group. After being listed in Hong Kong in May 2019, the Group, as a leading enterprise in the bridge cables and prestressed materials manufacturing industry, has a significant increase in its net profit by 39.5% to RMB187 million. The outstanding performance not only reflected the strong resilience of the Group under the epidemic, but also the better performance of the Group benefited from the economic recovery and stimulus plan. The Group currently has 36 on-going projects with a backlog amounting to RMB939 million, including major bridge projects such as Shenzhen-Zhongshan Link – Lingding Yang Bridge and Wujiang Bridge in China.

Looking forward, both the "14th Five-Year Plan" and the Central Economic Work Conference have included the bridge cable and prestressed material industries into one of the important industries to be invested in the future, bringing a more promising prospect for the industries. In addition to the existing pipeline projects, the Group is tracking over 300 major bridge cable projects with total value of cables amounting to RMB20 billion, which lays a solid foundation for a long term sustainable growth of the Group.

Apart from cable and prestressed materials businesses, the Group acquired 40% equity interest in Shanghai International Superconductor Technology Co. Ltd. (上海國際超導科技有限公司) ("Shanghai Superconductor") in July 2020, and became the largest shareholder of this leading international superconducting company. 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 grid. The superconducting cables can reduce power loss in the transmission engineering, thus saving energy and improving transmission efficiency. As the demand for electricity will be greater and requirements for power-saving efficiency will be higher driven by a wave of new infrastructure, technologies and capabilities mastered by Shanghai Superconductor will become another powerful growth driver for the Group.

Meanwhile, the Group holds 23.4% equity interest of Shanghai Push Medical Device Co., Limited ("Push Medical"), which is one of the leading domestic innovative companies in the field of high-end medical devices and focuses on research and development, production and sales of medical devices for structural heart disease. Currently, Push Medical has valuation of RMB 3 billion, and is preparing for listing in China. The successful listing of Push Medical will contribute to release investment value of the Group and provide handsome return for the Company.

In conclusion, with our continuing leadership in bridge cable and prestressed material industry segments, coupled with great potential growth of superconducting cables and Push Medical, we have full confidence in the future development of the Group.

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

Dr. Tang Liang
Chairman and Executive Director
Shanghai, March 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	Change
	RMB'000	RMB'000	(%)
Revenue	**1,947,102**	1,812,415	7.4
Gross profit	**517,842**	456,098	13.5
Profit for the year	**187,370**	134,350	39.5
Profit for the year attributable to owners of the Company	**151,219**	99,739	51.6
	RMB	RMB	
Diluted earnings per share	**0.1861**	0.1376	35.2
	RMB'000	RMB'000	
Total assets	**4,595,630**	3,725,299	23.4
Total liabilities	**2,512,220**	1,821,771	37.9
Net assets	**2,083,410**	1,903,528	9.4

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,947,102	1,812,415	1,383,335	1,317,693	1,081,887
Gross profit	517,842	456,098	326,501	245,907	214,455
Profit for the year	187,370	134,350	148,598	88,672	74,878
Assets					
Non-current assets	542,415	367,350	144,804	160,495	210,330
Current assets	4,053,215	3,357,949	2,376,921	1,760,196	1,521,704
Total assets	4,595,630	3,725,299	2,521,725	1,920,691	1,732,034
Liabilities					
Non-current liabilities	607,817	44,212	–	50,000	50,000
Current liabilities	1,904,403	1,777,559	1,276,460	774,011	674,464
Total liabilities	2,512,220	1,821,771	1,276,460	824,011	724,464
Total Equity	2,083,410	1,903,528	1,245,265	1,096,680	1,007,570

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. The shares of the Company (the "Shares") were successfully listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Listing") on 28 May 2019 (the "Listing Date").

For the year ended 31 December 2020, 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 2020, the total revenue of the Group amounted to RMB1,947.1 million, representing an increase of 7.4% as compared to 2019. The Group recorded profit for the year of RMB187.4 million in 2020, representing an increase of 39.5% as compared to 2019. The gross profit margin for the Group improved slightly from 25.2% to 26.6% mainly due to the improved gross profit margin of the Cable Business.

Cable Business

In 2020, the Group continued to focus on the production and sale of bridge cables, which generally have a higher profit margin compared to the Prestressed Materials Business. During 2020, the Group was awarded 85 new projects and had signed new contracts with a total contract value of approximately RMB999.7 million for the Cable Business. Also, during the year, the Group has successfully developed several new patented technologies for the application of bridge cables, including a new type of zinc-magnesium alloy for the production of suspension cables and a de-humidifying wrapping system for main cables.

In 2020, we have completed 60 projects for the Cable Business. As of the date of this report, we have 36 on-going projects with a backlog amounting to RMB939.2 million[Note]. 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 its revenue from the Cable Business will continue to grow in 2021. Below sets out some of the on-going projects for the Cable Business:

- 1915 Canakkale Bridge in Turkey
- Shenzhen – Zhongshan Link – Lingding Yang Bridge, China (深中通道伶仃洋大橋)
- Oujiang North Estuary Bridge in Zhejiang Province, China (甌江北口大橋)

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)

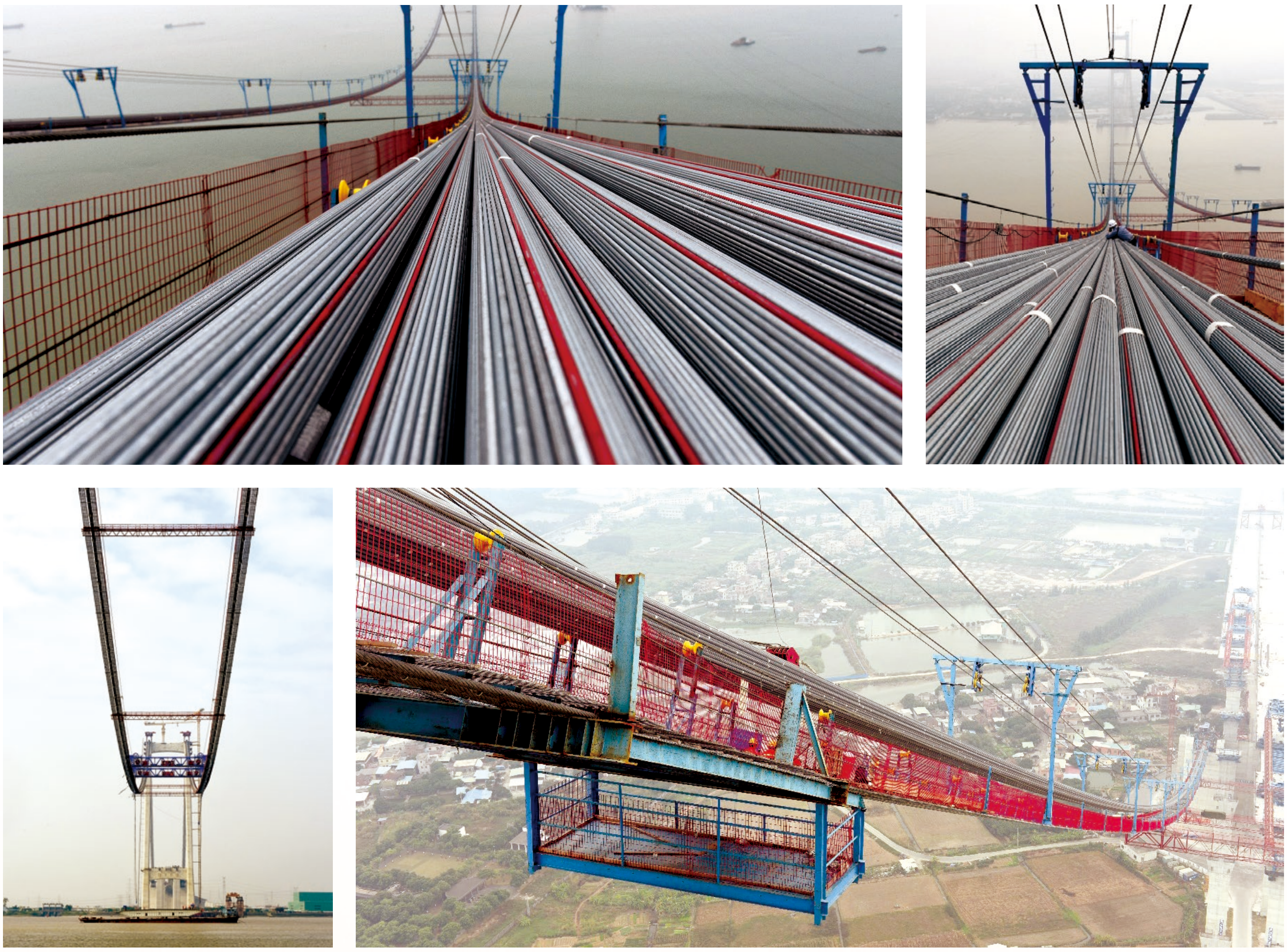
Cable Business (Continued)

- Wujiang Bridge in Guizhou Province, China (烏江大橋)
- Mingzhu Bay Bridge in Guangdong Province, China (廣州明珠灣大橋)
- Fulong Bridge in Guangdong Province, China (富龍大橋)
- Jinhai Bridge in Guangdong Province, China (金海大橋)
- Qinglong Gate Bridge in Zhejiang Province, China (青龍門特大橋)

BUSINESS REVIEW (Continued)

The Pujiang production facility for the Cable Business

BUSINESS REVIEW (Continued)



Construction site for cable installation

BUSINESS REVIEW (Continued)

Prestressed Materials Business

For the Prestressed Materials Business, the Group has focused on the sales of rare earth coated prestressed products and galvanised prestressed products due to higher profit margin as compared to plain surface prestressed products. In order to capture the growing demand of galvanised prestressed products, the plan to expand the production capacity for such products is underway. In 2020, we have made significant progress in the construction of the new production capacity for the Prestressed Materials Business and the Group expects that the production facility will be completed by end of 2021. Further, in December 2020, the Group has entered into a merger agreement for the privatization of Ossen Innovation Co. Ltd. ("Ossen Innovation"). As of the date of this report, the Prestressed Materials Business is held by Ossen Innovation, which is held as to 65.9% by the Company and the remaining interest by public shareholders by way of American depository shares publicly traded on NASDAQ. The Group expects that after the privatization, the Group will have a more efficient and cost effective structure, which will offer the Board a greater flexibility to manage the Group's operations. Please refer to the announcement of the Company dated 17 December 2020 for details.

Production facilities for the Prestressed Materials Business

During 2020, the Group's sales and operations were slightly affected in the first half of 2020 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 were affected in February 2020. Towards the second quarter of 2020, as the COVID-19 pandemic was gradually brought under control in China, the sales and operations of the Group resumed to normal in the second half of 2020.

BUSINESS REVIEW (Continued)

Awards and Recognitions

As of 31 December 2020, we have obtained 23 new registered patents. We have also received the following prizes and awards during 2020:

Award	Granting Authority
Silver Prize of Shanghai Excellent Invention Competition Award (上海市優秀發明選拔賽優秀發明銀獎)	Shanghai Federation of Trade Unions
	Shanghai Committee of the Communist Youth League
	Shanghai Invention Association
	Shanghai Intellectual Property Office
	Shanghai Science and Technology Association
2019 Industrial Economy Top 20 Enterprise (2019工業經濟二十強企業)	Cihu High and New Technology Region Management Authority
First Class Prize for Science and Technology Award (科學技術獎一等獎)	China Highway and Transportation Society
Second Class Prize for Science and Technology Award (科學技術獎二等獎)	China Highway and Transportation Society
Third Class Prize for Invention Award (江西省技術發明獎三等獎)	Jiangxi Provincial Government
The fourth Jiangxi Province Patent Award (第四屆江西省專利獎)	Jiangxi Provincial Government

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

Awards and Recognitions (Continued)

Award	**Granting Authority**
Jiangxi Province Well-Known Product (江西名牌產品)	Jiangxi Province Well-known Brand Promotion Association 江西省名牌戰略促進會
Outstanding Quality Control Solution Honorary Certificate (全過程卓越運營管理為先進質量管理辦法榮譽證書)	Zhejiang Provincial Administration for Market Regulation
	Jiangsu Provincial Administration for Market Regulation
	Anhui Provincial Administration for Market Regulation
	Jiangxi Provincial Administration for Market Regulation
	Shanghai Provincial Administration for Market Regulation

Award	**Project**
2020 Zhan Tianyou Hometown Civil Engineering Award (2020詹天佑故鄉盃獎)	Nansha bridge 南沙大橋

BUSINESS REVIEW (Continued)

Other developments

The Group continued to explore various investment opportunities that would be beneficial to the shareholders of the Company (the "Shareholders"). In July 2020, the Group entered into a capital injection agreement to acquire 40% equity interest 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 of RMB166.0 million. Shanghai Superconductor is a company established in the PRC with limited liability and was wholly-owned by Shanghai Electric Cable Research Co., Ltd. (上海電纜研究所有限公司) prior to the capital injection. It is principally engaged in the provision of superconducting cables solutions as well as the research and development of superconducting cables technologies for power grid. The Board believes that the Group's investment in Shanghai Superconductor would complement the development of the Group's business and research and development capabilities. Please refer to the announcement of the Company dated 31 July 2020 for details.

In September 2020, Shanghai Push Medical Device Technology Co., Limited ("Push Medical"), a company held as to 23.4% by the Group, lodged a filing in respect of the commencement of the tutoring period for the preparation of the application of A shares listing in the PRC. The tutoring stage of Push Medical is a prerequisite prior to the submission of the application of A shares listing to the Shanghai Stock Exchange.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

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

	2020		2019	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Cable Business:				
Suspension cable projects	736,397	38%	651,855	36%
Stay cable projects	279,049	14%	220,855	12%
Others – installation projects	5,015	0%	10,201	1%
Others – sale of scrap materials	3,432	0%	612	0%
	1,023,893	52%	883,523	49%
Prestressed Materials Business:				
Plain surface prestressed products	19,011	1%	19,485	1%
Rare earth coated prestressed products	716,230	37%	734,204	41%
Galvanised prestressed products	176,419	9%	149,275	8%
Other steel materials	11,549	1%	25,928	1%
	923,209	48%	928,892	51%
Total	1,947,102	100%	1,812,415	100%

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Revenue (Continued)

Revenue increased by 7.4% from RMB1,812.4 million in 2019 to RMB1,947.1 million in 2020, mainly attributable to the increase in revenue from the Cable Business.

Revenue generated from the Cable Business increased by 15.9% from RMB883.5 million in 2019 to RMB1,023.9 million in 2020, mainly attributable to the increase in the sales of stay cables. Revenue generated from the Prestressed Materials Business decreased slightly by 0.6% from RMB928.9 million in 2019 to RMB923.2 million in 2020, mainly attributable to a decrease in sales of rare earth coated prestressed products, partially offset by the increase in the sales of galvanised products.

Gross profit and gross profit margin

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

	2020		2019	
	Gross Profit RMB'000	Gross Profit Margin (%)	Gross Profit RMB'000	Gross Profit Margin (%)
Cable Business	351,798	34.4	300,335	34.0
Prestressed Materials Business	166,044	18.0	155,763	16.8
	517,842	26.6	456,098	25.2

Gross profit increased by 13.5% from RMB456.1 million in 2019 to RMB517.8 million in 2020.

Overall gross profit margin increased from 25.2% in 2019 to 26.6% in 2020, which was primarily due to an increase in sales from the Cable Business which have a higher profit margin. The gross profit margin for the Cable Business increased from 34.0% in 2019 to 34.4% in 2020 due to changes in the product mix. The gross profit margin for the Prestressed Materials Business increased from 16.8% in 2019 to 18.0% in 2020 mainly due to an increase in gross profit margin of galvanised prestressed products.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Selling and distribution costs

Selling and distribution costs of the Group increased by 45.0% from RMB29.9 million in 2019 to RMB43.3 million in 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.

General and administrative expenses

General and administrative expenses of the Group decreased by 26.6% from RMB103.6 million in 2019 to RMB76.1 million in 2020. The decrease in administrative expenses was mainly attributable by the decrease in the one-off expenses incurred for the preparation of the Company's Listing, partially offset by the increase in legal and professional fee incurred for the privatisation of Ossen Innovation.

Research and development expenses

Research and development expenses increased by 19.7% from RMB79.9 million in 2019 to RMB95.7 million in 2020. This increase was primarily attributable to an increase in additional resources for the development of new technologies such as the heat resistant protection system for main cables on suspension bridges for the Cable Business and increase in the number of patent applications.

Finance costs

Finance costs increased by 35.2% from RMB67.5 million in 2019 to RMB91.3 million in 2020. This increase was primarily attributable to an increase in bank borrowings.

Share of losses of associates

Share of losses of associates increased from RMB5,000 in 2019 to RMB3.9 million in 2020 mainly due to the losses from Shanghai Superconductor, as the company is still in a research and development stage for superconducting cables technologies.

Income tax expenses

Income tax expenses decreased by 50.9% from RMB34.7 million in 2019 to RMB17.0 million in 2020. The effective tax rate decreased from 20.5% in 2019 to 8.3% in 2020. This decrease was primarily attributable to over-provision of tax expenses in respect of prior years.

Profit for the year

As a result of the foregoing, the Group recorded a net profit of RMB187.4 million in 2020, representing an increase of 39.5% as compared to RMB134.4 million in 2019.

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 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 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, other financial instruments which will be available for drawdown within a short period of time.

As at 31 December 2020, the Group recorded net current assets amounting to RMB2,148.8 million (31 December 2019: RMB1,580.4 million). As at 31 December 2020, the cash and cash equivalents of the Group amounted to RMB891.9 million (31 December 2019: RMB307.6 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 31 December 2020, was 2.13 (31 December 2019: 1.89). The increase in the current ratio was due to the increase in current assets as a result of the increase in cash and cash equivalents.

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 2020, the net cash generated from operating activities was RMB134.0 million (excluding income tax paid of RMB23.3 million), while profit before income tax was RMB204.4 million. Changes in working capital consisted mainly of (i) an increase of RMB220.8 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) a decrease of RMB188.5 million in trade and retention receivables for sales due to the settlement of outstanding receivables in relation to the projects of 1915 Canakkale Bridge in Turkey and Wujiang Bridge in China during 2020; and (iii) an increase of RMB151.3 million in inventories for the production of upcoming bridge projects.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Cash flows (Continued)

Cash flows from investing activities

For the year ended 31 December 2020, net cash used in investing activities was RMB120.6 million. This consisted mainly of (i) an increase of RMB166.0 million for the acquisition of 40% equity interest in Shanghai Superconductor; (ii) the proceeds of RMB88.4 million from the disposal of an investment fund purchased in July 2019; and (iii) a decrease of RMB28.8 million in restricted bank deposits.

Cash flows from financing activities

For the year ended 31 December 2020, net cash generated from financing activities was RMB601.1 million. This consisted mainly of net bank borrowings of RMB694.6 million mainly used for general working capital and business expansion.

Bank and other borrowings

As at 31 December 2020, the outstanding bank and other borrowings of the Group was RMB1,640.4 million (31 December 2019: RMB946.8 million). 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 2020 was 35.7% (31 December 2019: 25.4%).

Charge on assets

As at 31 December 2020, bank and other borrowings of RMB1,640.4 million (31 December 2019: RMB946.8 million) were secured by pledge of the Group's certain assets including leasehold land or trade and retention receivables in certain subsidiaries or bank deposits.

Contingent liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities.

Capital structure

As at 31 December 2020, the total share capital of the Company was RMB7,138,000, divided into 811,044,000 Shares of nominal value of HK$0.01 each.

USE OF PROCEEDS

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

Business objectives as stated in the Prospectus	Percentage of proceeds Note 1	Use of proceeds adjusted according to the actual net proceeds from the Listing (RMB million)	Actual use of proceeds from the Listing Date to the date of this report (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 2022
Expansion of production facility for Prestressed Materials Business Note 4	21.1%	95.5	22.6	End of 2021
Expansion of research and development centre for Cable Business Note 5	13.4%	60.4	20.6	First half of 2022
Working capital	9.6%	43.4	43.4	–
Purchase of additional production equipment and environmental protection facilities Note 6	4.5%	20.4	2.2	End of 2021
Total	100%	451.9	211.6	

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 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 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 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 delayed due to the COVID-19 pandemic situation in China.

OUTLOOK AND RECENT DEVELOPMENTS

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. Since March 2020, the impact from the COVID-19 outbreak on business in China has improved, 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. In the transportation infrastructure industry, construction projects that were delayed are now resuming.

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, the PRC Government has also continued its effort in boosting domestic investment by improving transportation infrastructure in certain areas, this includes transportation infrastructure construction plan within the Yangtze River Region (長江幹線過江通道佈局規劃 (2020-2035)). According to the plan, it is expected that approximately 240 new bridges and tunnels will be built and the new land transportation system would facilitate the mobility of goods and people. The new system would create a solid foundation for the development of telecommunication and energy infrastructure and stimulate the economy development within the Yangtze River Region.

With the PRC Government's initiatives, the Group sees significant potential market opportunities for its products and is confident that the business segments of the Group would continue to grow. Further, the Group would continue to strengthen its technological capabilities and make significant investment in the research and development area.

EXECUTIVE DIRECTORS

Dr. Tang Liang

Dr. Tang Liang (湯亮) ("Dr. Tang"), aged 53, is an executive Director and the chairman of the Board. Dr. Tang was appointed as a Director on 26 April 2017 and re-designated as an executive Director and chairman of the Board on 10 December 2018 respectively. Dr. Tang is primarily responsible for overall management, corporate policy making and strategic planning of the Group's business operations.

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

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")	Chairman of the board of directors	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 Enterprise Management Co., Ltd.	Chairman of the board of directors	June 2018 – present
International Superconductor Holding Limited	Director	August 2019 – present
Chao Ao Investment Shanghai Co. Ltd.	Director	September 2019 – present
Shanghai Push Medical Device Co., Ltd.	CEO	October 2019 – present
Shanghai Pride Group Limited	CEO	August 2020 – present
Shanghai Superconductor	CEO	September 2020 – present
Long Ao Investment (Shanghai) Co. Ltd.	CEO	October 2020 – present
New Ossen Group Limited	Director	November 2020 – present
New Ossen Innovation Limited	Director	November 2020 – present
Deluxe Precision Limited	Director	November 2020 – present

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

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

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

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

Name of subsidiaries	Position	Duration of Tenure
Shanghai Pujiang	Director 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), aged 58, 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 35 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 till now, he has served as the director of Ossen Innovation Materials. Since August 2010, he has served as the director of Ossen Innovation, a company listed on NASDAQ (stock code: OSN). Since August 2019, he has also served as the director of Shanghai Push. 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 56, was appointed as a Director on 12 November 2018 and re-designated as an executive Director of the Company on 10 December 2018. Mr. Ni is primarily responsible for overall management, financial operation, internal management of the Group.

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

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Pan Yingli

Ms. Pan Yingli (潘英麗) ("Ms. Pan"), aged 66, was appointed as an independent non-executive Director on 24 April 2019. Ms. Pan is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Ms. Pan is responsible for providing independent judgement on the Group's strategy, performance, resources and standard conduct.

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

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

Prior to joining the Group, Ms. Pan was appointed as an independent supervisor of China Shipping Container Lines Company limited, a company listed on Hong Kong Stock Exchange (stock code: 2866) from March 2004 to June 2013. Ms. Pan was an independent non-executive director of China Merchants Bank, a company listed on Hong Kong Stock Exchange (stock code: 3968) from November 2011 to November 2018. She has been appointed as an independent director of Ossen Innovation, a company listed on NASDAQ (stock code: OSN), since August 2010. She has also been appointed as an independent non-executive director of Postal Savings Bank of China Co., Ltd., a company listed on Hong Kong Stock Exchange (stock code: 1658), since December 2019 and Asia Cuanon Technology Shanghai Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603378) since May 2020. Save as disclosed, Ms. Pan did not hold directorships in any other public listed companies in the last three years.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Chen Dewei

Mr. Chen Dewei (陳德偉) ("Mr. Chen"), aged 65, was appointed as an independent non-executive Director on 24 April 2019. Mr. Chen is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Chen is responsible for providing independent judgement on the Group's strategy, performance, resources and standard conduct.

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

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

Mr. Zhang Bihong

Mr. Zhang Bihong (張弼弘) ("Mr. Zhang"), aged 46, was appointed as the independent non-executive director of the Company on 24 April 2019. Mr. Zhang is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Zhang is responsible for providing independent judgement on the Group's strategy, performance and financial operation.

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

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

SENIOR MANAGEMENT

Mr. Daniel Ling

Mr. Daniel Ling (凌東鷹) ("Mr. Ling"), aged 49, joined the Group in 2019 as the Chief Financial Officer, he oversees finance, investments and investor relations functions.

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

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

Mr. Luo Guoqiang

Mr. Luo Guoqiang (羅國强) ("Mr. Luo"), aged 67, joined the Group in September 1994 and has been the deputy general manager and the chief engineer of Shanghai Pujiang since then. Mr. Luo is responsible for technology development, design and advancement, as well as quality control and maintenance of products of Shanghai Pujiang.

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

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

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

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

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

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

SENIOR MANAGEMENT (Continued)

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

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

Mr. Xu Haoming

Mr. Xu Haoming (徐浩明) ("Mr. Xu"), aged 65, joined the Group in November 1989 and has been the deputy general manager of Shanghai Pujiang since then. Since December 2007, Mr. Xu has been approved as a Supervisor of Shanghai Pujiang. Since September 2012, Mr. Xu has also been appointed as a director of Shanghai Pujiang. Mr. Xu is responsible for overseeing sales and marketing function of Shanghai Pujiang.

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

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

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

Mr. You Shengyi

Mr. You Shengyi (游勝意) ("Mr. You"), aged 62, joined the Group as deputy general manager of Ossen (Jiujiang) from April 1994 to April 2005. Since May 2005, Mr. You worked as the chief engineer of Ossen (Jiujiang). Mr. You is responsible for technology research and development of Ossen (Jiujiang).

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

SENIOR MANAGEMENT (Continued)

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

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

Mr. Li Gang

Mr. Li Gang (李剛) ("Mr. Li"), aged 57, joined the Group in July 1991 and has been the deputy general manager of Shanghai Pujiang since then. Mr. Li is responsible for production management of Shanghai Pujiang.

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

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

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

COMPANY SECRETARY

Ms. 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 20 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 Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators).

* *for identification purposes only*

DIRECTORS AND CHIEF EXECUTIVE OFFICER

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

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(CEO)*
Ms. Zhang Weiwen (resigned on 17 March 2021)
Mr. Ni Xiaofeng
Mr. Hua Wei (appointed 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 31 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. Please refer to page 7 for business review of the Group.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the ended 31 December 2020 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 44 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

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

As at 31 December 2020, the Group's reserves available for distribution to equity holders amounted to approximately RMB1,757.2 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 30 to the consolidated financial statements.

EMOLUMENT POLICY

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

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

RETIREMENT SCHEME

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

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

As of 31 December 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 they are taken or deemed to have under such provisions of the SFO) were as follows:

(i) Interest in shares of the Company

Name of the Director	Capacity	Number of Shares interested[1]	Approximate shareholding percentage
Dr. Tang Liang ("Dr. Tang")	Interest of a controlled corporation[2]	552,721,064 (L)	68.15%
Mr. Zhou Xufeng	Beneficial owner	2,520,000 (L)	0.31%
Mr. Ni Xiaofeng	Beneficial owner	1,300,000 (L)	0.16%

Notes:

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

2. The 552,721,064 Shares are held by Elegant Kindness Limited ("Elegant Kindness") which is in turn wholly owned by Dr. Tang. Dr. Tang is deemed or taken to be interested in all the Shares held by Elegant Kindness Limited for the purposes of SFO.

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

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

Name of Director	Name of associated corporation	Capacity	Number of shares in the associated corporation	Approximate shareholding percentage
Dr. Tang	Elegant Kindness	Beneficial owner	50,000	100%
	Shanghai Xiong Ao Investment Co., Ltd. (formerly "Shanghai Xiong Ao Enterprise Management Co., Ltd.")	Beneficial owner	4,999,995	1%
	Shanghai Pujiang Cable Co., Ltd.	Beneficial owner	2,500,000	0.5%
	Shanghai Push Medical Device Co., Limited	Beneficial owner	21,000,000	37.8%

Save as disclosed above, as of 31 December 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 31 December 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	Capacity	Number of Shares interested[1]	Approximate shareholding percentage
Elegant Kindness	Beneficial owner	552,721,064 (L)	68.15%
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	40,689,000 (L)	5.02%
CS Asia Opportunities Master Fund	Beneficial owner	40,689,000 (L)	5.02%

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 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" or "Share Option Scheme") pursuant to the shareholders' written resolution passed on 24 April 2019. As of 31 December 2020, an aggregate of 42,000,000 share options were granted under the Share Option Scheme.

1. Purpose of the Share Option Scheme

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

SHARE OPTION SCHEME (Continued)

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

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

3. Maximum number of Shares

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

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

4. Maximum entitlement of each participant

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

SHARE OPTION SCHEME (Continued)

5. Offer period

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

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

6. Subscription price

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

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

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

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

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

7. Remaining life of the Share Option Scheme

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

SHARE OPTION SCHEME (Continued)

Details of the movement in options granted under the Scheme during the financial year ended 31 December 2020 were as follows:

Grantee	Date of grant	Number of share options as at 1 January 2020	Number of share options granted	Number of share options exercised	Number of outstanding share options as at 31 December 2020	Exercise period	Exercise price per share
Director							
Mr. Zhou Xufeng	3 June 2019	630,000	–	–	630,000	3 June 2022 to 2 June 2029	HK$2.80
		630,000			630,000	3 December 2022 to 2 June 2029	HK$2.80
		630,000			630,000	3 June 2023 to 2 June 2029	HK$2.80
		630,000			630,000	3 December 2023 to 2 June 2029	HK$2.80
Mr. Ni Xiaofeng	3 June 2019	325,000	–	–	325,000	3 June 2022 to 2 June 2029	HK$2.80
		325,000			325,000	3 December 2022 to 2 June 2029	HK$2.80
		325,000			325,000	3 June 2023 to 2 June 2029	HK$2.80
		325,000			325,000	3 December 2023 to 2 June 2029	HK$2.80
Others							
Other grantees 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 financial year ended 31 December 2020.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2020, the total number of employees in the Group was 454 (31 December 2019: 461) and total employee costs amounted to RMB49.3 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.

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 2020 on page 60 to page 109.

CONNECTED TRANSACTION

During 2020, 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 2020. Each of Controlling Shareholders has provided the Company with a confirmation regarding his/its compliance with the Deed of Non-Competition.

MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

Save as the capital injection in Shanghai Superconductor and the proposed privatization of Ossen Innovation 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 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EVENTS SUBSEQUENT TO 31 DECEMBER 2020

Save for the completion of the proposed privatization of Ossen Innovation which is expected to take place in 2021, there was no other significant event occurred subsequent to 31 December 2020 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 2020.

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 in 2020.

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

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES (Continued)

(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 2020 is as follows:

	No. of Individuals
Nil to HK$1,000,000	4
HK$2,500,001 to HK$3,000,000	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 2020.

MATERIAL CONTRACTS

Save as disclosed in this report, no contract of significance has been entered into during 2020 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 2020.

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 2020, 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 2020, the Group did not make any donations to charity.

EQUITY-LINKED AGREEMENT

In 2020, 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 2020 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board has recommended the payment of a final dividend of HK$0.05 for the year ended 31 December 2020 (2019: nil) per ordinary share, subject to the approval by the Shareholders at the Annual General Meeting ("AGM"). The final dividend will be paid on or about 21 July 2021 to the Shareholders whose names appear on the register of members of the Company on 7 July 2021.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During 2020, the total purchases from the top five suppliers of the Company accounted for 85.2% of the total cost of sales of the Group, of which the purchases from the largest supplier accounted for 24.7% of the total cost of sales of the Group.

The total sales revenue to the five largest customers of the Company in 2020 accounted for 41.0% of the total sales revenue of the Group, of which sales to the largest customers accounted for 22.7% 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 6 of this annual report. The summary does not form part of the audited consolidated financial statements.

AUDITORS

The consolidated financial statements in this annual report have been audited by BDO Limited. There has been no change in the auditors of the Company in 2020. 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 21 June 2021 to 24 June 2021, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 18 June 2021.

The register of members of the Company will be closed from 2 July 2021 to 7 July 2021, both days inclusive, for ascertaining Shareholders' entitlement to the proposed final dividend. No transfer of shares will be registered during this period. In order to be qualified for the proposed final dividend to be approved at the AGM, all transfers of Shares accompanied by the relevant share certificates and properly completed 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 30 June 2021.

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 2020.

By Order of the Board
Pujiang International Group Limited
Dr. Tang Liang
Chairman of the Board
Hong Kong,
on 17 March 2021

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 (the "CG Code") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices. 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 2020 (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)*
Ms. Zhang Weiwen (resigned on 17 March 2021)
Mr. Ni Xiaofeng
Mr. Hua Wei (appointed 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 31 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.

Eight 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 page 2.

Audit Committee

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

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

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

The Audit Committee would also meet the external auditors at least 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 24 June 2020 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 2021. 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.

Nomination Committee

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

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

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

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (Continued)

Nomination Committee (Continued)

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

The Nomination Committee would meet at least once a year. 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.

DIRECTOR NOMINATION POLICY (Continued)

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

BOARD DIVERSITY POLICY

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

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

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

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

AUDITORS' REMUNERATION

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

Services provided	**Fees** RMB'000
2020 annual audit	1,000
Non-audit services*	500
Total	1,500

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

COMPANY SECRETARY

During the Reporting Year, Ms. Choy Yee Man of Tricor Services Limited resigned as the company secretary of the Company with effect from 27 October 2020. Following the resignation of Ms. Choy, Ms. Wong Yik Han of Tricor Services Limited was appointed as the company secretary of the Company with effect from 27 October 2020.

With effect from 17 March 2021, Ms. Wong Yik Han resigned and Ms. Lai Siu Kuen of Tricor Services Limited was appointed as the company secretary of the Company. 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 2020, Ms. Wong Yik Han 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.

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 STRUCTURE (Continued)

Internal Control policies

Policies on inside information

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

Policy for employees to raise concerns about possible improprieties

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020.

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 110 to 115 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 24 June 2021. 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.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS ESG REPORT

Reporting standard

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

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

This ESG Report should be read in conjunction with the "Corporate Governance and Other Information" section of the Group's 2020 annual report in order to fully understand the Group's ESG performance.

Reporting scope

Unless otherwise specified, this ESG Report covers Pujiang International Group Limited (the "Company", and together with its subsidiaries, the "Group" or "we") and its subsidiaries within the Group. The time frame of this ESG Report is consistent with the Group's 2020 annual report, which is from 1 January 2020 to 31 December 2020.

Reporting methodology

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

Comments and feedback

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

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

1. COMPANY PROFILE

1.1 About Us

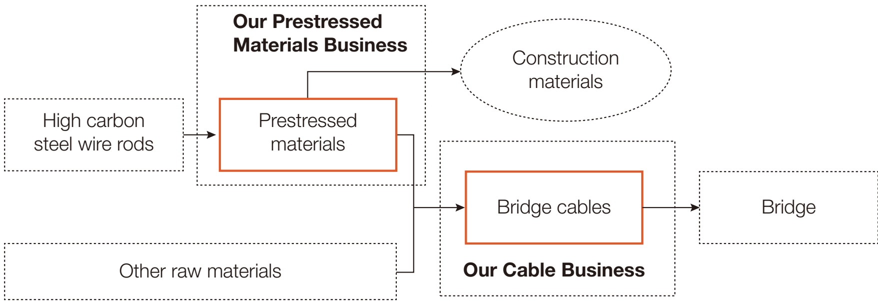
1.1.1 Brief Introduction

The Group is a technological innovation manufacturing group focusing on bridge cables and prestressed products. It is mainly composed of two business units: Ossen Innovation Materials Co., Ltd and Ossen (Jiujiang) New Materials Co., Limited ("Ossen Jiujiang"). They engage in the prestressed materials business under the "Ossen" brand. They are also members of China Prestressed Industry Association. Shanghai Pujiang Cable Co., Ltd. ("Shanghai Pujiang Cable"), Zhejiang Pujiang Cable Co., Limited ("Zhejiang Pujiang Cable") and Shanghai Pujiang Cable Installation Engineering Co., Limited are the subsidiaries engaging in cable business under the "Pujiang Cable" brand. They are all professional cable structure product manufacturers integrating design, construction, production and scientific research. The Group is the largest supplier of cables for the construction of super-long-span bridges and the third largest manufacturer of prestressed materials in China. The Group invests a lot of resources in the field of product research and development, such as the establishment of government-recognized research centers and laboratories and cooperation with colleges and universities to accelerate the achievement of research results. As a result, we have been able to keep up with the rapid evolution of infrastructure construction projects and maintain market competitiveness. As of 31 December 2020, the Group has 454 employees, and a total floor area of 230,000 square meters. The Company was incorporated in the Cayman Islands on 26 April 2017, and was listed on the Main Board of the Hong Kong Stock Exchange on 28 May 2019 (stock code: 2060).

1. COMPANY PROFILE (Continued)

1.1 About Us (Continued)

1.1.2 Major Industries



Cable business:

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

1. COMPANY PROFILE (Continued)

1.1 About Us (Continued)

1.1.2 Major Industries (Continued)

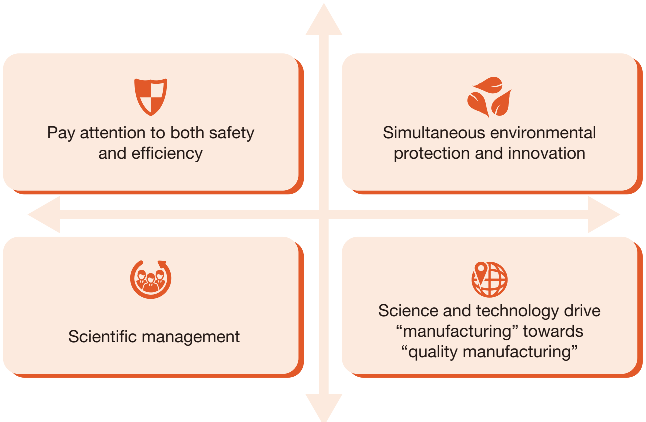
Pre-stressed material business:

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

1. COMPANY PROFILE (Continued)

1.1 About Us (Continued)

1.1.3 Corporate Social Responsibility



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

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

1. COMPANY PROFILE (Continued)

1.2 Honors and Achievements

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

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

In July 2020, Shanghai Pujiang Cable was awarded the honorary certificate in the name of Tianyou Zhan's hometown by the Civil Engineering and Architectural Society of Guangdong.

In April 2020, Zhejiang Pujiang Cable was awarded the title of "Outstanding Enterprise of Technology Innovation" by Jiashan County Government.

1. COMPANY PROFILE (Continued)

1.2 Honors and Achievements (Continued)

Shanghai Pujiang Cable was awarded the "Enterprise Credit Rating AAA" certificate by Nanjing Anhuan Credit Evaluation Limited Company.

Shanghai Pujiang Cable was awarded jointly by Market Supervisory Authority of Zhejiang Province, Jiangsu Province, Anhui Province, Jiangxi Province and Shanghai City for its "Outstanding Operation Management".

In 2020, Shanghai Pujiang Cable won the Second Prize in the Shanghai Excellent Invention Contest.

In July 2020, Shanghai Pujiang Cable was awarded as one of "the Best 10 Enterprises (Social Organizations)" in the combat against COVID-19 by the People's Government of Xitang Town.

1. COMPANY PROFILE (Continued)

1.2 Honors and Achievements (Continued)

In 2020, Ossen (Jiujiang) ranked the 20th among "the Best 40 Enterprises of 2019 in Jiujiang" jointly issued by the Bureau of Industry and Information Technology of Jiangxi Province and Entrepreneur Association of Jiangxi Province.

In August 2020, Mr. Xiaofeng Ni was awarded the title of "Outstanding Entrepreneur of 2019" jointly by the Bureau of Industry and Information Technology of Jiangxi Province and Entrepreneur Association of Jiangxi Province.

In November 2020, prestressed galvanized steel strand products of Ossen (Jiujiang) was awarded the title of "Famous Brand in Jiujiang" by Brand Strategy Promotion Association of Jiangxi Province.

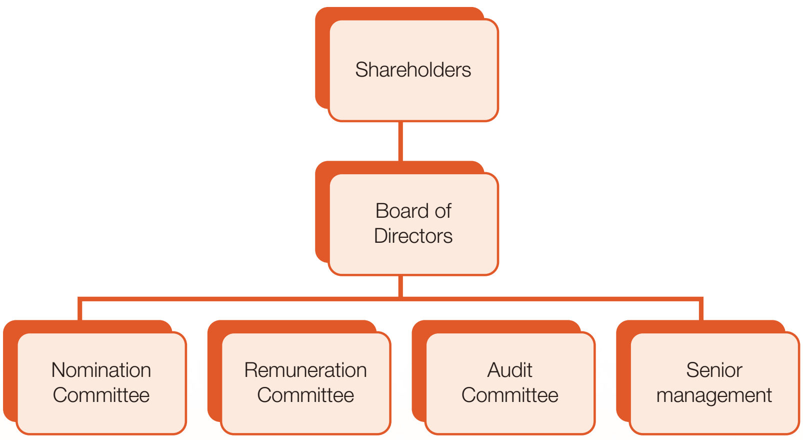
In March 2020, Ossen (Jiujiang) was awarded the certificate of "the Third Level Enterprise of Production Safety Standardization" by the Emergency Management Bureau of Jiujiang.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance

1.3.1 Corporate Governance Framework

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



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

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

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.1 *Corporate Governance Framework* (Continued)

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

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

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

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

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.2 Board of Directors

As of 31 December 2020, the Board was composed of seven Directors, including four executive Directors and three independent non-executive Directors.

In 2020, eight Directors' meetings and one Audit Committee meeting were held. The total duration was eight hours, and the attendance rate was 100%. The key information of the Directors is as follows:

Name	Age	Position	Date of appointment	Date of joining the Group	Responsibility
DR. LIANG TANG	53	Executive Director and Chairman	2017.4.26	2002.02	Overall management of the Group's business operations, corporate policy formulation and strategic planning
MR. XUFENG ZHOU	55	Executive Director and CEO	2018.11.12	2010.9	Overall management, financial operations and internal management of the Group
MRS. WEIWEN ZHANG	54	Executive Director	2018.11.12	2010.12	Overseeing operations and internal administration supported by the Group
MR. XIAOFENG NI	56	Executive Director	2018.11.12	2007.12	Overall management, financial operations and internal management of the Group
MRS. YINGLI PAN	66	Independent Director and Chairman of the Remuneration Committee	2019.4.24	2019.4.24	Supervise the work of the BOD, Audit Committee, Remuneration Committee, Nomination Committee and make independent judgments on them
MR. DEWEI CHEN	65	Independent Director and Chairman of the Nomination Committee	2019.4.24	2019.4.24	Supervise the work of the BOD, Audit Committee, Remuneration Committee, Nomination Committee and make independent judgments on them
MR. BIHONG ZHANG	46	Chairman of Independent Director Audit Committee	2019.4.24	2019.4.24	Supervise the work of the BOD, Audit Committee, Remuneration Committee, Nomination Committee and make independent judgments on them

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders

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

Stakeholders	Main objectives and focus	Communication channel	Measures
Shareholders and investors	Steady operations, revenue payback, protection of Shareholders' rights; strict compliance with regulations stipulated by Hong Kong Stock Exchange, true, accurate, and timely disclosure of information.	Shareholders' meeting, investors' meeting, site inspection, roadshow, and disclosure (including interim report, annual report, and Hong Kong Stock Exchange information disclosure), contact information.	According to the Listing Rules, the Group regularly announces shareholders' meetings and proposals, and discloses information including interim reports, annual reports and announcements; Throughout the year, 36 announcements/circulars and 3 reports were issued. The Group conducted various activities with investors to enhance recognition. The Group held 2 performance conferences and multiple roadshows. Contact information was disclosed to ensure smooth communication.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders (Continued)

Stakeholders	Main objectives and focus	Communication channel	Measures
Customers	Product quality and quantity guarantee, delivery time to customers' satisfaction, long-term and stable cooperation, company's reputation and industry experience.	Visit regularly and maintain daily communication.	The quality department and marketing department of the Group are responsible for receiving, transmitting and giving back customer information. Quality inspection department was established to strictly monitor and test product quality in order to provide products to customers' satisfaction. The Group also continuously maintains customer relationship according to customer complaints and satisfaction measurement and control procedures.
Government	Operating legally, paying taxes according to law, producing safe and environmentally friendly, fulfilling social responsibilities	On-site inspections, work conference discussions, approval of work reports.	Legal operation, compliance management, and tax payment in accordance with the relevant laws. Strengthen Company's safety and environmental protection management, receive supervision and inspection by the government (55 site inspections were conducted throughout the year), and actively undertake social responsibilities.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders (Continued)

Stakeholders	Main objectives and focus	Communication channel	Measures
Staff	Guarantee of fundamental rights and interests, welfare and remuneration, working environment, development space, occupational health and safety, self-value realization.	Trade unions, employees and management communication channels, set up a WeChat platform for employees to facilitate timely feedback on job suggestions, employee activities, training and learning.	Establish a corporate trade union organization to provide employees with a communication platform, pay compensation and benefits in full and on time, pay social insurance in accordance with the laws, provide a healthy and safe working environment, establish a fair promotion mechanism, care for employees, help employees in difficulties, and organize employee activities, establish "Hanwang Mining College" to build a learning-oriented enterprise.
Suppliers and Contractors	Fair bidding, long-term stable cooperation, customer development, and timely payment.	Bidding meetings, fairs, daily communication, and conferences.	Fair bidding, selection, execution of contracts, strengthened daily communications, and establishment of long-term cooperation with high-quality suppliers and contractors.

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 Communication with Stakeholders (Continued)

Stakeholders	Main objectives and focus	Communication channel	Measures
Bank	Repayment on schedule, operating conditions, business risks, honesty and credit.	Work conference, on-site inspection, post-loan tracking, and daily communication.	Repayment of loans and interest on time, cooperation with loan review and supervision.
Competitors	Fair competition, cooperative development, sharing of technology and experience, industry development.	Seminars, exchange visits, negotiations, industry conferences.	Practiced fair competition, achieved win-win cooperation, shared experiences, participated in industry seminars and research exchange activities for more than ten times, and promoted the sustainable development of the industry.
Market supervisor	Compliance with regulatory requirements, compliance management, disclosure of information and filing information.	Consulting, information disclosure, reporting, filing information.	Strictly abide by regulatory requirements, and disclose information and filing materials in a timely, accurate, and truthful manner according to law.

Management of relationship with investors:

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

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.3 *Communication with Stakeholders* (Continued)

Management of relationship with customers:

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

Management of relationship with the Environmental Protection Agency:

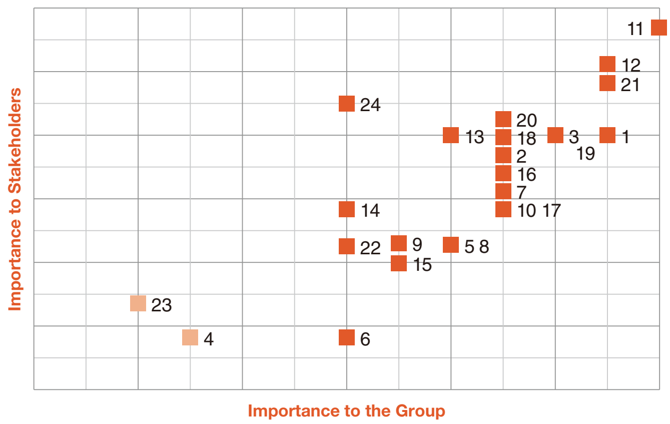
The Xitang Town Environmental Protection Agency under the Jiashan County Environmental Protection Bureau, Jiujiang Ecological Environment Bureau and Maanshan Ecological Environment Bureau strictly implement environmental supervision and management and environmental monitoring of the Group in accordance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

1. COMPANY PROFILE (Continued)

1.3 Corporate Governance (Continued)

1.3.4 Materiality Assessment

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



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

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY

2.1 Environmental Protection Policies

Policies and regulations	Promulgation date and organization	Main content
《Law of the People's Republic of China on the Prevention and Control of Air Pollution》(Amended in 2018)	26 October 2018, NPC Standing Committee	Protect and improve the environment, prevent air pollution, protect public health, promote ecological civilization, and promote sustainable economic and social development.
《Environmental Protection Law of the People's Republic of China》(2014 Revision)	24 April 2014, NPC Standing Committee	Protect and improve the environment, prevent pollution and other public hazards, protect public health, recommend the construction of ecological civilization, and promote sustainable economic and social development.
《Law of the People's Republic of China on Water Pollution Control》(Amended in 2017)	27 June 2017, NPC Standing Committee	Protect and improve the environment, prevent and control water pollution, protect water ecology, ensure drinking water safety, maintain public health, promote ecological civilization construction.
《Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution》(Amended in 2020)	29 April 2020, the 13th NPC Standing Committee	Prevent solid waste from polluting the environment, protect human health, and promote the development of socialist modernization
《The Environmental Impact Assessment Law of the People's Republic of China》(Amended in 2018)	29 December 2018, NPC Standing Committee	Implement sustainable development strategies, prevent adverse environmental impacts caused by planning and construction projects, and promote coordinated economic, social, and environmental development
Regulations of Zhejiang Province on Prevention and Control of Environmental Pollution by Solid Wastes (Amended in 2013)	19 December 2013, the 7th meeting of the 12th NPC Standing Committee of Zhejiang Province	Prevent solid waste from polluting the environment, utilize resources reasonably, protect human health, maintain ecological safety, and promote sustainable development of economy and society
Regulations of Shanghai City on Environmental Protection	20 December 2018, the 8th meeting of the 15th NPC Standing Committee of Shanghai City	Protect and improve environment, prevent pollution, ensure public health, promote the establishment of conservation culture, and promote green development and green lifestyle

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.2 Emissions Related Analysis

The Group has formulated "Waste Management System", "Waste Classification and Management System", "Treatment and Monitoring Rules for Noise, Wastewater, Exhaust Emission", "Wastewater Discharge Control System" and other rules to ensure that all pollutant emissions, waste disposal and treatment comply with regulatory standards.

The Group's emissions from production and operation mainly come from the operation of factory equipment, gasoline and diesel consumption of its own vehicles (mainly small cars), wastes from production and operation (steel, packaging materials, etc.), surface treatment of raw materials (acid washing, plating) and electrical appliances, cleaning agents, electronic debris, paper, etc used in office areas. Although the Group's business has little impact on direct environmental emissions, it is still committed to adopting environmental protection measures to improve the energy efficiency and reduce the environmental impact of pollutants involved in the production and operation processes. During the reporting period, the Group was not aware of any material non-compliance related to air and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-harzardous waste.

2.2.1 Air Emissions Data Calculation

In the process of combustion, air pollutants such as nitrogen oxides, sulfur oxides, and particulates are emitted. Excessive discharge of pollutants can lead to air pollution. After sorting out and obtaining the data of the forklift trucks, car driving kilometers and fuel consumption of the Group, we calculated the Group's major air pollutant emissions in 2020.

Types of emissions	Emissions in 2020 (kg)	Emission intensity (kg/person)
Nitrogen oxides	323.53	0.71
Sulfur oxides	1.45	–
Particulate Matter	29.58	0.06

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.2 Emissions Related Analysis (Continued)

2.2.2 *Greenhouse Gas Emissions Data Calculation*

Greenhouse gases will be emitted through both direct and indirect methods. When fuels are burned via fixed and mobile sources, a certain amount of greenhouse gases such as carbon dioxide, methane, and nitrous oxide are directly emitted. This is classified as Scope1. The electricity used by the Group will indirectly emit greenhouse gases. This is classified as Scope 2. Decomposition of waste paper in landfills, business trips by employees, electricity used in fresh water and sewage treatment, etc. also generate greenhouse gases. This is classified as scope 3.

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

During the reporting period, fuel from mobile sources (mainly small and light vehicles) generated a total of 232.68 tons of carbon dioxide equivalent. By collecting data from the Group's annual electricity bill invoices, the carbon emissions were calculated to be 4393.65 tons of carbon dioxide equivalent. Although scope 3 emissions are relatively fewer in amount, we still consider upstream and downstream impacts on the value chain. The Group will also disclose indirect greenhouse gas emissions caused by business travel and water supply and drainage activities. In view of the fact that the waste paper is recycled and reused by waste manufacturers, this ESG Report will not consider its impact on greenhouse gas emissions.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.2 Emissions Related Analysis (Continued)

2.2.2 Greenhouse Gas Emissions Data Calculation (Continued)

Greenhouse Gas Emissions Range	Emissions-tons (measured in CO2 equivalent)	Intensity (emissions/ employees)	Emission ratio
Scope 1 (direct emissions): Stationary source	–	–	–
Scope 1 (direct emissions): Mobile source	232.68	0.51	4.77%
Scope 2 (indirect emissions): Electricity purchased	4,393.65	9.70	90.16%
Scope 3 (Others): Business Aviation Travel	181.66	0.40	3.74%
Scope 3 (other): Freshwater and wastewater treatment	64.93	0.14	1.33%
Total	4,872.92	10.75	100.00%

2.3 Waste Classification and Emissions

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

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

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.3 Waste Classification and Emissions (Continued)

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

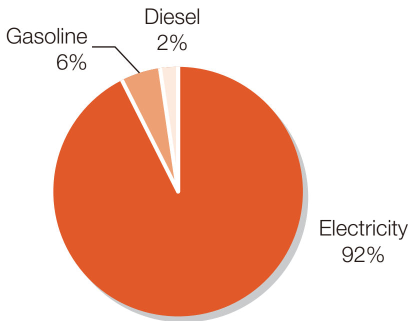
Category	Name	Quantity (tons)	Intensity (tons/ person)	Collection method
Non-hazardous waste	Production related waste	118.33	0.26	Contact the scrap dealer from time to time for recycling
	Other life-related waste	9.13	0.02	Classified and put into the Group's trash bin for daily disposal
Hazardous waste	Waste acid	155.03	0.34	Independently stored in our Group's hazardous waste warehouse, and recycled by specialized agencies
	Zinc slag	17.42	0.04	Separately stored and recycled by qualified agencies
	Phosphating slag	4.98	0.01	Temporarily stored in our hazardous waste warehouse, and recycled by qualified agencies
	Other	0.07	–	Unified storage, periodic processing or production cycle consumption

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.4 Use of Resources Analysis

The Group's energy portfolio mainly includes vehicle fuel and electricity. In 2020, the Group consumed 53.17 tons of gasoline, 19.2 tons of diesel, and business power consumption of 8.615 million kilowatt-hours, which can be converted into 1,164.99 tons of standard coal, and the per capita energy intensity is 3.17 tons coal.

The Group's annual energy consumption in 2020
(tons of standard coal)



The main energy consumed by the Group is electricity. The Group has formulated the "Regulations on the Management of Power Savings of the Group" to improve the quality of management and reduce production costs. It is hoped that employees will form a good habit of saving power. In order to strengthen power management, further control costs and reduce internal consumption, in 2019, our subsidiary Ossen (Jiujiang) issued the "Notice on Saving Electricity" in combination with the actual needs of production and operation, saving 210,000 kilowatt hours of electricity throughout 2020, of which 150,000 kilowatt hours were saved by discontinuation of hot water supply from steam boilers.

The Group only takes water from the local water supply plant to meet internal production and operation needs. The domestic sewage and cleaning wastewater generated to maintain the sanitation of the facility are discharged into the municipal pipe network after three-stage sedimentation treatment in the septic tank. We did not encounter any difficulties in gaining access to appropriate water sources. The total groundwater consumption of the Group in 2020 was about 102.2 thousand tons, and the water intensity is 1.0×103 kg/m^3. We do not consider that moderate groundwater extraction has any significant impact on the environment. The rain and sewage in the factory area are diverted, and the cooling water is recycled. We also regularly inspect the Group's water supply network, and modify part of the water supply network in order to reduce wastage.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.4 Use of Resources Analysis (Continued)

In 2020, the cable business of the Group used 13,975 rolls of wrapping tape, 0.11 rolls/ton cable and 12,930 meters tarpaulin, 0.52 meters/ton cable, while the prestressed material business used 1.74 million meters of packaging cloth (8.5 meters/ton of product) and 138.6 tons of steel belt (2.7 kg/ton of product). In order to strengthen the quality management of packaging materials, the Group stipulates the packaging protection process under the “Product Protection Control Procedures”, and discarded packaging bags should be recycled and subject to unified scientific treatment under the “Warehouse Management System” in order to achieve maximum ecosystem protection.

The Group promotes new energy-saving and environmentally-friendly products, encourages the use of water-saving, power-saving facilities and appliances; strictly controls the purchase of large high-energy-consuming equipment, and prioritizes products that meet national energy-saving standards and have energy efficiency labels to eliminate environmental pollution from the source. As of 31 December 2020, the number and type of the Group’s office equipment have been calculated. There are a total of 135 computers, 24 printers, 4 fax machines, 9 copiers, and the overall number of equipment is small. In addition to working equipment, we use about 850 LED lights and 2,020 energy-saving lights. There are 158 air conditioners, of which 154 are split type, and 4 sets of central air conditioners.

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

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

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

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

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

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

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

Program	Measurement
Water Efficiency Initiatives	Measures: The Group insists on preventing the waste of water, and reminders are posted to cultivate employees' awareness of water saving; regular maintenance of pipelines to avoid water loss. Our factory in Zhejiang entered into a sewage treatment agreement with Jiashan County Xitang Wastewater Treatment Co., Ltd., and the domestic sewage was discharged after meeting the requirements of the third level of GB8978-96 "Integrated Wastewater Discharge Standard". In addition, the Jiujiang plant area has cancelled the surface pickling process in 2019 and transformed the backwater pipeline. Results: Water conservation is also an important measure for effective energy conservation and emission reduction. At present, the domestic water in the office area has been controlled within a reasonable range; According to statistics, the annual water saving reached 12,500 tons; more than 2000 cubic meters of water can be saved by canceling the steam boiler.
Transportation	The Group's business contacts and project site acceptance will inevitably result in a large number of business air travel. Thus, we normally require employees to choose direct flights, control the number of travelers, and choose economy class. When feasible, the Group encourages the choice of high-speed rail travel, while widely using electronic communications. The Group also encourages employees to use public transport to commute and reduce the use of private cars, further reducing roadside emissions by improving the use efficiency of public transport. At present, it is difficult to quantify the effect of the Group's transportation travel, but in all alternative travel schemes, we advocate to choose a low-carbon travel mode after considering various factors.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

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

Program	Measurement
Management of Paper	All contracts are electronically archived and uploaded online, reducing the need for printed documents; It is recommended to print double-sided waste paper in the office area to ensure efficient use of paper and avoid waste of resources. The waste paper is collected and stored uniformly, and it is regularly recycled. During the reporting period, the Group had good control over paper use management. The Group implemented paperless office in 2020. The Group obtained 3 paperless attendance machines with face recognition and fingerprint recognition modes to minimize the use of paper timesheets; meanwhile, the Group purchased IBM system license, which connects projects in real time and enables paperless document transmission.
The use of air-conditioner	In accordance with the principles of safety management, energy saving and consumption reduction, the Group has made relevant regulations on the use of air conditioners according to the changes in seasonal temperature. That is, the indoor air-conditioning temperature setting in summer should not be lower than 26 degrees Celsius, and the indoor air-conditioning temperature setting in winter should not be higher than 20 degrees Celsius. Doors and windows should be closed during use, and the direction of the blades of the air conditioner should not be changed at will. Energy-saving regulations such as closing the air conditioner in time after work are recommended. Since the adoption of the regulation, the Company has saved about 10% of air conditioning power consumption.
Noise control	The Group does not produce at night; try to use low-noise equipment; close doors and windows when the workshop is in production; maintain the equipment that produces noise in the workshop to meet the class III standards of GB12348-2008 “Noise Standards for Industrial Enterprise Boundary”.
Reduce the production loss	For cable business, the Group achieves the purpose of reducing the frequency of cooling water replacement by recycling the cooling water of the extruder, and thoroughly solves the problem of cooling water consumption; For the production of pre-stressed materials, the Group has improved the product yield and qualified rate by improving the process and the operating skills of employees, strengthening the control of the entire production process, which saved about 36 tons of steel in 2020 and 30 tons of steel in 2019. In 2018, the hot water supply of coal-fired steam boiler was completely cancelled, and air energy heat pump was used for heating water, saving more than 200 tons of coal every year.
Management of scrap steel	For the scrap steel generated at the end of the project, the Group first comprehensively evaluates whether its specifications and remaining length are sufficient to reuse to make a relatively short test cable, otherwise it will be sold to a recycled company at a discount, so as to maximize the scrap utilization rate.

2. CORPORATE ENVIRONMENTAL RESPONSIBILITY (Continued)

2.6 Environment and Natural Resources

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

Acid mist absorption purification tower

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

Sewage treatment station

The Group entrusts a testing agency to inspect the Group's operating conditions and environmental protection facilities each year. It monitors the exhaust gas, wastewater, and noise emissions at major locations through monitoring instruments, and issues monitoring reports based on the test results and relevant national standards. The Group has obtained the urban sewage discharge into the drainage network management license issued by the government agency. The 2020 monitoring report data shows that the monitored values of exhaust gas, wastewater and noise all meet local or national emission standards. Besides, the relevant competent government authority confirmed that the Group has not been subject to any administrative penalties related to environmental protection matters.

3. CORPORATE SOCIAL RESPONSIBILITY

3.1 Employment and Labor Status Analysis

3.1.1 Employment Status and Labor Practices

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

Recruitment and promotion:

The Group hires employees in strict accordance with the established recruitment process and plan, and resolutely resists the employment of underage children as formal employees of the Group. The recruitment is mainly based on the candidate's morality, attitude, education, experience, skills, and we fully evaluate the suitability of the candidate for the recruitment position. The Group will inspire and restrict each employee with the principle of "just, open and fair", and give each employee equal promotion rights and opportunities at the same time. Human Resources Department is responsible for checking the assessment process and results of each department. The main reference indicators are: work performance, ability, attitude, and events with special contributions such as breakthrough technological innovations and solving major invisible dangers are included in the assessment scope. When an employee is dismissed or when his/her employment contract is terminated, the Group strictly abides by relevant laws and pays the required compensation. The Group does not recruit, compensate, train, or promote employees on the basis of race, gender, age, religion, disability, citizenship, national origin, marital status, and pregnant status. All employees should be fairly treated in the process of recruitment and daily operation. Discrimination is strictly prohibited.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.1 *Employment Status and Labor Practices* (Continued)

Salary and benefits:

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

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

The Group will continue to implement salary management and improve employee salary structure in 2021. Implementing a reasonable and fair salary system is an important and imperative goal of human resources management.

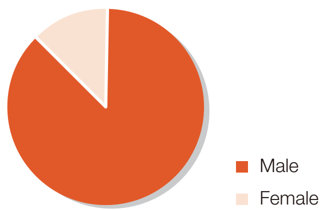
3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

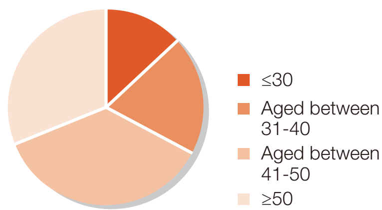
3.1.1 Employment Status and Labor Practices (Continued)

Proportion of employees of the Group by major indicators in 2020

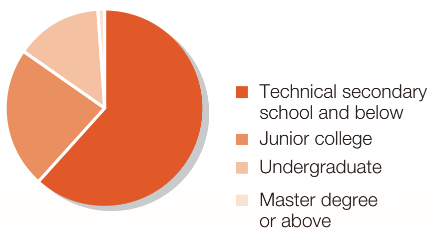
Workfoce by gender



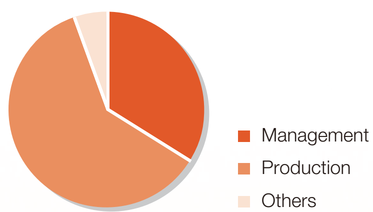
Workforce by age group



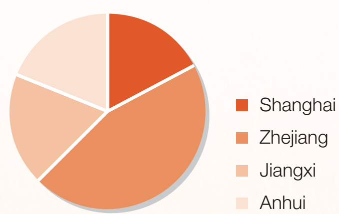
Workfoce by education



Workfoce by employee category



Workforce by region



3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.1 Employment Status and Labor Practices (Continued)

Number of employees and turnover rate of the Group in 2020 by gender and age

Gender and age	Number at 31 December 2020	Percentage of total number of people at 31 December 2020	Number of employees leaving	Turnover rate
Male				
0-30	53	11.62%	0	/
31-40	74	16.23%	0	/
41-50	139	30.92%	0	/
51 or above	129	28.29%	0	/
Subtotal	395	87.06%	0	/
Female				
0-30	7	1.54%	0	/
31-40	15	3.29%	0	/
41-50	25	5.48%	0	/
51 or above	12	2.63%	1	8.3%
Subtotal	59	12.94%	0	1.6%
Total	454	26%	0	0.2%

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.1 Employment Status and Labor Practices (Continued)

Number of employees and turnover rate of the Group in 2020 by region

Region	Number at 31 December 2020	Percentage of total number of people at 31 December 2020	Number of employees leaving	Turnover rate
Shanghai	79	17.32%	1	1.3%
Zhejiang	204	45.18%	0	/
Jiangxi	85	18.64%	0	/
Anhui	86	18.86%	0	/
Total	454	100.00%	1	0.2%

As of 31 December 2020, our total number of employees was 454, of which males were relatively large. The Group has a large number of production staff, a small proportion of undergraduates and above, and a higher age distribution. It is mainly because the senior staff members have rich experience in production and development and strong business capabilities, which bring more synergy to the Group. On the whole, the Group's turnover rate throughout the year is low, personnel changes are minimal, and the overall situation is relatively stable. According to the demand for production and operation in 2021, the Group plans to continue to increase the number of production workers. Recruitment of this type of workers can be done in any channel.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety

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

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

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

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

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

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 *Employees' Health and Safety* (Continued)

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

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

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

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

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

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 *Employees' Health and Safety* (Continued)

In 2020, the Group had no major employee health and safety violations or lawsuits.

Safe education

On 15 October 2020, Hua Zhang, the person in charge, organized a safety alert education workshop to increase the awareness of safety responsibilities of all employees and prevent accidents. The workshop emphasized on the importance of safe production, introduced current domestic situation, and instructed employees on how to carry out safe production. This workshop helped employees to obtain comprehensive understanding of safe production, especially the factors that may potentially endanger safe production and relevant risk control. Varying degrees of dangers exist in workplace. Therefore, safety and prevention is of the first priorityfor preventing all types of hazards, dangers and safety accidents.

Pre-job education

On 5 September 2020, the Group arranged a group of new employees to attend training on corporate rules and regulations, personnel management system, and safe production, in order for the new employees to have a comprehensive understanding of the corporate human resources rules and occupational health regulations. The training helped new employees to learn the correct use of occupational disease preventive equipment and emergency rescue plans. The Group requires new employees to attend pre-job training arranged by the Group before formal employment.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

Fire drill

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

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

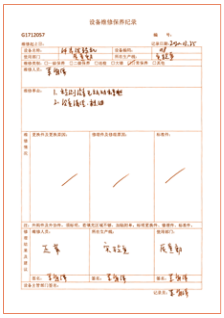
3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 *Employees' Health and Safety* (Continued)

Equipment maintenance records

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



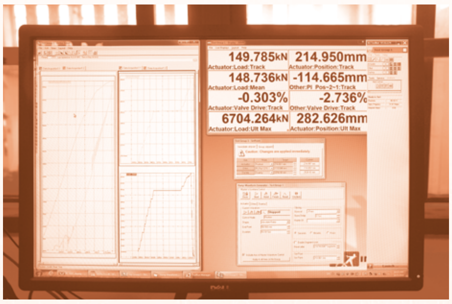
The main equipment and special equipment must be assigned to suitable personnel at fixed points with relevant qualifications;

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

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

Laboratory work scenarios/recorded result

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



3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 *Employees' Health and Safety* (Continued)

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

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

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.2 Employees' Health and Safety (Continued)

With the proactive response of employees and the frequent self-inspection of workshop group, in 2020, there were no major or long-term production interruptions due to equipment failures, and there were no major accidents in the production process.

Safety Production Index	Times	Description	Affected working days
Environmental pollution accident	–	–	–
Fire accident	–	–	–
Minor injury	2	Hand injury by steel wire	10
Serious injury	–	–	–
Fatal accident	–	–	–

In 2020, the Group actively organized training for workshop personnel, strengthened employees' safety awareness, and improved employees' safety knowledge. The main training items are safety operation skills; emergency rescue training; protective equipment and emergency supplies training; learning of safe operating procedures for possible hazardous accidents in the workshop, etc.

In addition, the employees' self-safety protection awareness is also vigorously trained to ensure that the product quality is qualified while creating a safe working environment. On the basis of the safe transportation in 2019, the Group followed 2019 safety procedures of transportation and lifting in the year of 2020. Further, the Group invites all employees to participate in a health checkup every year. All employees should undergo pre-job training before taking up their jobs, and acquire the necessary professional skills. Some employees also need to work with certification to avoid unnecessary injuries due to inadequate skills.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.3 Staff Development and Training

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

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

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

The Group focused on strategic development and reenergizing employees with training, and formulated "employee training management system". In 2020, by utilizing the advantage of internal resources and with the emphasis on trainings in respect of production and operation, the Company conducted multilevel and practical training sessions to enhance the stability, flexibility, and entirety of our workforce. In 2020, training sessions covered 2408 participants in total.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.1 Employment and Labor Status Analysis (Continued)

3.1.3 *Staff Development and Training* (Continued)

Average training hours of the Group's employees in 2020 by gender and employment type

Type of employees		Number of trained employees	Percentage of trained employees	Average training hours in total	Average training hours per person
By Gender	Male	397	88%	36,314	91
	Female	57	12%	5,097	89
By Employment Type	Senior-level management	8	2%	525	66
	Mid-level management	22	5%	1,983	90
	Other employees	424	93%	38,939	91
Average training hours		–	–	–	91

3.1.4 *Guidelines for Preventing Child or Forced Labor*

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

In 2020, neither the Group nor its suppliers found any use of child labor or any forced labor behavior, nor did they find the use of young workers for high physical labor.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.2 Analysis of Operation Management

3.2.1 Supply Chain Management

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

The Group set up a responsibility assessment team to evaluate the supplier's qualifications in accordance with the "Procurement Control Procedures". The material department takes the lead and is responsible for filling in the "Supplier Evaluation Record Form". In conjunction with the technical department, quality department, and production department, the suppliers' technical capabilities and Quality management is assessed. The candidate suppliers are comprehensively analyzed from the five aspects of qualification and reputation, quality, price, delivery time and service, and they are rated as A, B, and C at three different levels. The Group has included AB-level units in the scope of the "Qualified Supplier List", currently a total of 119. Each year, suppliers are evaluated to ensure that the cooperating suppliers have the corresponding production, quality, and technical capabilities to ensure our market competitiveness, and at the same time increase or decrease the list of suppliers according to the actual condition.

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

2020 three-system operation quality target: 100% contract fulfillment rate of purchased products and processed products; one-time qualified rate of purchased products reached 99.5%; 100% qualified rate of finished products of purchased products and processed products; 100% correct rate of receipt and delivery of materials. The quality assurance rate of stored materials is 100%; the safety and timeliness rate of transportation is 100%.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.2 Analysis of Operation Management (Continued)

3.2.1 *Supply Chain Management* (Continued)

In 2020, the Group has a total of 169 suppliers located in eastern China, northern China, central China and other regions, with about 93% of suppliers located in eastern China. Most of them were selected through inquiry and tender. Choosing suppliers in adjacent locations has a cost-effective advantage and avoids the long-distance transportation loss rate.

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

3.2.2 *Anti-Corruption Measures*

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

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

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

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.2 Analysis of Operation Management (Continued)

3.2.2 Anti-Corruption Measures (Continued)

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

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

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

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

7. The Group's compliance advisor, Haitong International, conducts regular compliance training by conference calls and training materials distribution for Directors, covering topics including directors' continuous responsibilities, the Listing Rules, and anti-corruption policies.

In 2020, the Group did not have major litigation cases or non-compliance related to bribery, extortion, fraud and money laundering.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.3 Product Responsibility

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

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

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.3 Product Responsibility (Continued)

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

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

For cable business, we usually set a product warranty period of one to two years to ensure that the product meets the standards. Most customers usually require a warranty of 5% to 10% of the contract value. After returning the warranty, we can provide regular inspection services for up to five years. In 2020, the Group did not receive any significant return requests or complaints related to products and services.

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.3 Product Responsibility (Continued)

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

As of 31 December 2020, the Group had 120 registered patents (95 from the cable business and 25 from the pre-stressed materials business), and 9 pending patent applications for pre-stressed materials business. We ensure that all patent applications and management comply with legal standards and procedures, and prevent infringement of other intellectual property rights. The technical department shall strictly control the external transmission of various technical materials, shall not allow external personnel to read and copy at will, supervise the responsible persons of the relevant departments to check the technical file management and control of the department once a week, and punish those who violate the regulations.

In 2020, the Group has no major product responsibility violations or lawsuits.

3.4 Community Investment

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

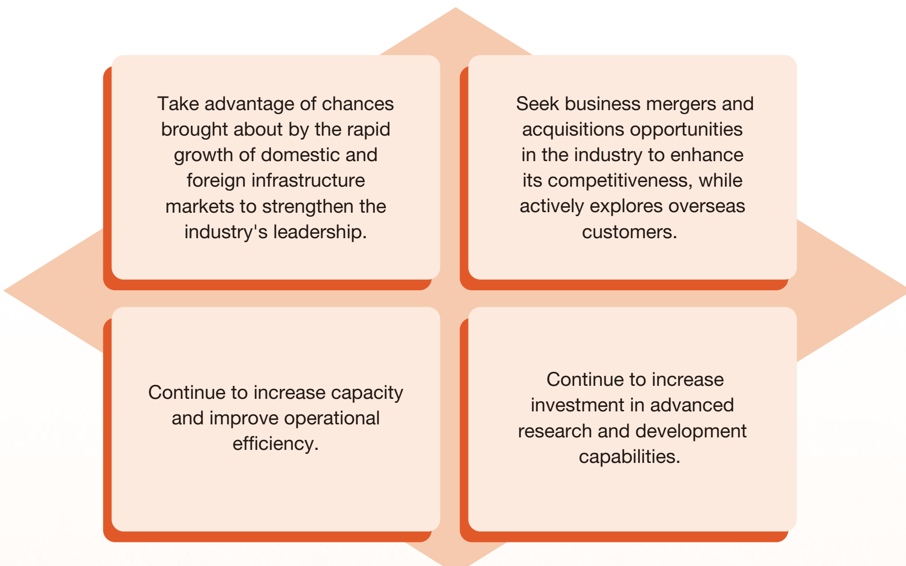
The Group has always attached great importance to caring for employees, and each year employees are given benefits on holidays such as March 8 Women's Day, Dragon Boat Festival, Mid-Autumn Festival, and Spring Festival. Through the establishment of a staff union, by fully obtaining and understanding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

3. CORPORATE SOCIAL RESPONSIBILITY (Continued)

3.4 Community Investment (Continued)

In 2020, suffering from the unprecedented epidemic, the Group actively sought to fulfill its social responsibility, formulated donation plans for the urgent medical needs in Wuhan, and scientifically selected donation materials to support the control and prevention of virus spreading in Wuhan. Through Ossen charity funds, the Group directly donated materials, such as air purifiers and disinfection equipment worthing 2 million yuan to the designated medical institution -- Wuhan Union Hospital. All the donated materials passed inspections by national authoritative agencies and obtained patent certificate by China National Intellectual Property Administration for being used for disinfection in hospitals and removal of virus vectors, which helped improve air quality in hospital and provide a better environment for frontline healthcare workers and patients.

4. FUTURE PLANS



TO THE SHAREHOLDERS OF PUJIANG INTERNATIONAL GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pujiang International Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 116 to 206, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 2020, the Group had gross trade and retention receivables of RMB985,289,000, net of provision for impairment of RMB36,407,000, which accounted for 21.4% of the total assets. The assessment of impairment of such trade and retention receivables was considered to be a matter of significance as it required the application of judgement and use of subjective assumptions by management, and may involve material misstatement.

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

The accounting policies, disclosures of the allowance for impairment of trade and retention receivables and the related credit risk are included in 4(i)(ii), note 23 and note 43 to the consolidated financial statements.

Our response:

Our procedures in relation 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 estimates 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

We have identified prepayments to suppliers as a key audit matter because both opening and closing balances were material, and amounted to approximately RMB1,337,045,000 or 29.1% of the total assets as at 31 December 2020 which usually involved management judgement including how prepayment may be affected by the fluctuation of the market price of the raw materials.

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

Our response:

Our procedures in relation to prepayment to suppliers:

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

– Checking subsequent utilisation and identifying any long aged balance;

– Selected samples of performing confirmations to suppliers;

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

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

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong, 17 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	1,947,102	1,812,415
Cost of sales		(1,429,260)	(1,356,317)
Gross profit		517,842	456,098
Other revenue	8	15,851	11,585
Other gains and losses	9	(19,096)	(17,804)
Selling and distribution costs		(43,301)	(29,867)
General and administrative expenses		(76,078)	(103,586)
Research and development expenses		(95,654)	(79,883)
Share of losses of associates		(3,860)	(5)
Finance costs	10	(91,304)	(67,522)
Profit before income tax	11	204,400	169,016
Income tax expenses	15	(17,030)	(34,666)
Profit for the year		187,370	134,350
Attributable to:			
Owners of the Company		151,219	99,739
Non-controlling interests		36,151	34,611
		187,370	134,350
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(6,939)	4,072
Other comprehensive income for the year		(6,939)	4,072
Total comprehensive income for the year		180,431	138,422
Total comprehensive income for the year attributable to:			
Owners of the Company		141,240	103,069
Non-controlling interests		39,191	35,353
		180,431	138,422
		RMB	RMB
Earnings per share	16		
– Basic		0.1865	0.1390
– Diluted		0.1861	0.1376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	18	114,328	119,107
Intangible assets	20	–	–
Interests in associates	21	266,135	103,995
Deferred tax assets	26	9,915	7,513
Deposits	24	152,037	136,735
Total non-current assets		542,415	367,350
Current assets			
Inventories	22	451,098	299,768
Assets held for sale	19	12,513	–
Trade and retention receivables	23	985,289	1,184,158
Prepayments, deposits and other receivables	24	1,464,858	1,259,084
Financial assets at fair value through profit and loss	25	–	88,597
Restricted bank deposits	27	247,536	218,704
Cash and cash equivalents	27	891,921	307,638
Total current assets		4,053,215	3,357,949
Total assets		4,595,630	3,725,299
Current liabilities			
Trade and bills payables	28	584,976	588,077
Contract liabilities	29	155,807	82,293
Other payables and accruals		107,891	72,897
Bank and other borrowings	30	1,033,940	904,306
Amounts due to related companies	31	–	104,000
Income tax payable		21,434	25,324
Lease liabilities	32	355	662
Total current liabilities		1,904,403	1,777,559
Net current assets		2,148,812	1,580,390
Total assets less current liabilities		2,691,227	1,947,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	32	**1,357**	1,712
Bank and other borrowings	30	**606,460**	42,500
Total non-current liabilities		**607,817**	44,212
NET ASSETS		**2,083,410**	1,903,528
Capital and reserves attributable to owners of the Company			
Share capital	33	**7,138**	7,138
Other reserves	34	**1,757,217**	1,615,977
Equity attributable to owners of the Company		**1,764,355**	1,623,115
Non-controlling interests	35	**319,055**	280,413
TOTAL EQUITY		**2,083,410**	1,903,528

On behalf of the directors

Tang Liang **Zhou Xufeng**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Profit before income tax expense	**204,400**	169,016
Adjustments for:		
Depreciation of property, plant and equipment	**7,345**	8,581
Depreciation of right-of-use assets	**1,599**	1,472
Share of losses of associates	**3,860**	5
Finance costs	**91,304**	67,522
Equity settled share-based payment	**–**	47,688
Fair value loss/(gain) on financial assets at fair value through profit and loss	**234**	(348)
Impairment loss recognised on trade and retention receivables	**2,354**	11,541
Impairment loss reversal on deposits and other receivables	**(311)**	(540)
Bad debt written off recognised on trade and retention receivables	**8,018**	–
Interest Income	**(2,768)**	(3,118)
Loss on disposal of property, plant and equipment	**190**	6
Operating profit before working capital changes	**316,225**	301,825
Increase in inventories	**(151,330)**	(123,075)
Decrease/(increase) in trade and retention receivables	**188,497**	(392,501)
Increase in prepayments, deposits and other receivables	**(220,765)**	(175,371)
(Decrease)/increase in trade and bills payables	**(3,101)**	187,828
Increase in contract liabilities	**73,514**	35,995
Increase in deposits received, other payables and accruals	**34,994**	8,339
Decrease in amount due to related companies	**(104,000)**	–
Cash generated from/(used in) operations	**134,034**	(156,960)
Income taxes paid	**(23,322)**	(26,460)
Net cash generated from/(used in) operating activities	**110,712**	(183,420)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(9,436)**	(3,313)
Purchases of right-of-use assets – land use right		**(7,432)**	–
Acquisition of an associate		**(166,000)**	–
Purchases of financial assets at fair value through profit and loss		**–**	(88,249)
Proceeds from disposal of financial assets at fair value through profit and loss		**88,363**	–
Decrease in restricted bank deposits		**(28,832)**	(87,051)
Interest received		**2,768**	3,118
Net cash used in investing activities		**(120,569)**	(175,495)
Cash flows from financing activities	38		
Proceeds from bank and other borrowings		**2,519,063**	373,651
Repayment of bank borrowings		**(1,824,414)**	(157,950)
Payment of lease liabilities		**(785)**	(779)
Share issue expenses		**–**	(25,629)
Interest paid		**(92,236)**	(67,265)
Dividend declared and paid by subsidiary		**(549)**	–
Decrease in amount due to a shareholder		**–**	(18,730)
Proceeds from issuance of shares		**–**	497,782
Net cash generated from financing activities		**601,079**	601,080
Net increase in cash and cash equivalents		**591,222**	242,165
Cash and cash equivalents at the beginning of year		**307,638**	61,401
Effect of exchange rate changes on cash and cash equivalents		**(6,939)**	4,072
Cash and cash equivalents at the end of year		**891,921**	307,638
Analysis of the balances of cash and cash equivalents:			
Cash and cash equivalents		**891,921**	307,638

1. GENERAL

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

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

(a) Adoption of new or amended HKFRSs

The Hong Kong Institute of Certified Public Accountants 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 Business
- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

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.

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[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKAS 37	Onerous Contracts Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

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

2 Effective for annual periods beginning on or after 1 January 2022.

3 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.

4 Effective for annual periods beginning on or after 1 January 2023.

5 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, 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

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the 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, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's 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 HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 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 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 financial statements in future periods should such transaction arise.

Annual Improvements to HKFRSs 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which 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.

- 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.

- 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.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the 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 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing

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

Right-of-use asset

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing (Continued)

Lease liability

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

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

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

(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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments

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

(i) Financial assets

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

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

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

Debt instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(ii) Impairment loss on financial assets

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(ii) *Impairment loss on financial assets* (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(iii) Financial liabilities (Continued)

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

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial Instruments (Continued)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. As the sales are specified based on the sales contract, no exchange is applicable in the Group.

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

Contract liabilities

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes (Continued)

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the PRC government.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

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

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, deposits and other receivables

The Group estimates impairment losses of trade and retention receivables, 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 write-offs 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 lives 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 2019

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

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

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:

	2020 RMB'000	2019 RMB'000
Segment assets		
Cables	2,620,367	2,090,992
Prestressed steel materials	1,136,607	1,172,961
Segment assets	3,756,974	3,263,953
Unallocated	1,202,656	461,346
Total assets	4,959,630	3,725,299

	2020 RMB'000	2019 RMB'000
Segment liabilities		
Cables	1,966,145	1,448,079
Prestressed steel materials	312,196	288,689
Segment liabilities	2,278,341	1,736,768
Unallocated	233,879	85,003
Total liabilities	2,512,220	1,821,771

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

For the year ended 31 December 2019

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

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

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 losses of associates	489	–	489	(4,349)	(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)

(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:

	2020	2019
	RMB'000	RMB'000
Customer A[1]	**442,643**	204,400

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.

	2020 RMB'000	2019 RMB'000
Manufacture, installation and sale of cables	1,023,893	883,523
Manufacture and sale of customised prestressed steel materials	923,209	928,892
	1,947,102	1,812,415

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

	2020 RMB'000	2019 RMB'000
Trade and retention receivables	985,289	1,184,158
Contract liabilities (note 29)	155,807	82,293
	1,141,096	1,266,451

7. REVENUE (Continued)

Timing of revenue recognition

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

	2020 RMB'000	2019 RMB'000
At a point in time		
Sales of customised prestressed steel materials and cables	**1,942,087**	1,802,214

	2020 RMB'000	2019 RMB'000
Over time		
Provision of installation services	**5,015**	10,201

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 2019 and 2020, the transaction prices allocated to performance obligations that are unsatisfied (or partially unsatisfied) were approximately RMB689,156,000 and RMB782,617,000 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

	2020 RMB'000	2019 RMB'000
Bank and other interest income	2,768	3,118
Government grants (note i)	13,083	6,849
Investment income (note ii)	–	1,612
Sundry income	–	6
	15,851	11,585

Notes:

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

(ii) Investment income mainly represent the dividend income received from the investment in financial instrument namely CEL Kaisa Dynamic Bond Feeder Fund.

9. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Exchange losses, net	(8,714)	(6,629)
Loss on disposal of property, plant and equipment	(190)	(6)
Impairment loss recognised on trade and retention receivables	(2,354)	(11,541)
Bad debt written off recognised on trade and retention receivables	(8,018)	–
Impairment loss reversal on deposits and other receivables	311	540
(Loss)/gain on financial assets at fair value through profit or loss	(234)	348
Others	103	(516)
	(19,096)	(17,804)

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank loans and other borrowings	91,086	67,006
Interest on lease liabilities	123	146
Handling fee	95	370
	91,304	67,522

11. PROFIT BEFORE INCOME TAX EXPENSE

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

	2020 RMB'000	2019 RMB'000
Cost of inventories sold (note i)	1,429,260	1,356,317
Auditor's remuneration	1,500	654
Minimum lease payments for lease previously classified as operating lease under HKAS17	–	794
Employee costs (Note 12)	49,302	79,762
Depreciation charge:		
– Property, plant and equipment	7,345	8,581
– Right of use assets	1,599	1,472
Impairment loss on trade and retention receivables	2,354	11,541
Impairment loss reversal on deposits and other receivables	(311)	(540)
Bad debt written off on trade and retention receivables	8,018	–
Interest on lease liabilities	123	146
Equity settled share-based payment	–	10,122
Listing expenses – HKEX	–	12,149

Note:

(i) Cost of inventories sold for the year ended 31 December 2020 includes RMB42,358,000 (2019: RMB40,846,000) 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

	2020 RMB'000	2019 RMB'000
Employee costs (including directors (note 13)) comprise:		
Wages and salaries	41,748	33,051
Contributions on defined contribution retirement plans	4,000	5,883
Other long-term employee benefits	3,554	3,262
Share-based payment expenses to employees – equity settled	–	37,566
	49,302	79,762

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 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

Year ended 31 December 2019	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	2,512	3,145
Ms. Zhang Weiwen	–	138	–	–	138
Mr. Ni Xiaofeng	–	204	56	1,296	1,556
	–	942	89	3,808	4,839
Independent non-executive directors:					
Ms. Pan Yingli	158	–	–	–	158
Mr. Chen Dewei	158	–	–	–	158
Mr. Zhang Bihong	158	–	–	–	158
	474	–	–	–	474
	474	942	89	3,808	5,313

13. DIRECTORS' EMOLUMENTS (Continued)

Note:

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

ii. Ms. Zhang Weiwen resigned as executive director on 17 March 2021.

iii. Mr. Hua Wei was appointed as executive director on 17 March 2021.

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 (2019: Nil). In addition, none of the directors or the five highest paid individuals waived or agreed to waive any emoluments during the year (2019: None).

14. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included two (2019: one) director for the years ended 2020, whose emoluments are reflected in note 13. Particular of the three (2019: four) highest paid employees are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	**2,964**	1,230
Contributions to retirement benefits schemes	**108**	174
	3,072	1,404

Their emoluments were within the following bands:

	2020 No. of individuals	2019 No. of individuals
Nil to HK$1,000,000	**2**	4
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:

	2020 No. of individuals	2019 No. of individuals
Nil to HK$1,000,000	**2**	4
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:

	2020 RMB'000	2019 RMB'000
Current tax – PRC Enterprise Income Tax (the "PRC EIT")		
– for the year	29,103	37,512
– over provision in respect of prior years	(9,671)	(1,360)
	19,432	36,152
Deferred tax (note 26)		
– for the year	(2,402)	(1,486)
Income tax expense	17,030	34,666

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:

	2020 RMB'000	2019 RMB'000
Profit before income tax expense	204,400	169,016
Tax calculated at the applicable statutory tax rate of 25% (2019: 25%)	51,100	42,254
Expenses not deductible for tax purposes	8,937	23,091
Effect of preferential tax treatment exemptions granted to eligible PRC subsidiaries	(24,905)	(23,334)
Tax incentives for research and development expenses available for eligible subsidiaries	(8,431)	(5,784)
Utilisation of unrecognised tax loss	–	(201)
Over provision in respect of prior years	(9,671)	(1,360)
Income tax expense	17,030	34,666

The weighted average applicable tax rate was 8.3% (2019: 20.5%) for the year ended 31 December 2020.

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 RMB151,219,000 (2019: RMB99,739,000). The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2020 and 31 December 2019 includes the weighted average number of shares issued pursuant to the share offer (note 33) of 811,044,000 and 717,771,067 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 RMB151,219,000 (2019: RMB99,739,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and diluted shares from share option scheme (note 40).

16. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

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

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	151,219	99,739

	Number of shares 2020	Number of shares 2019
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	717,771,067
Effect of dilution – weighted average number of ordinary shares:		
Share Option	1,497,512	6,895,921
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	812,541,512	724,666,988

17. DIVIDENDS

The Company did not recommend any payment of dividends during the years ended 31 December 2020 and 2019.

At the board meeting held on 17 March 2021, the directors resolved to recommend a final dividend of HK$0.05 per ordinary share. The proposed dividend had not been recognised as a dividend payable as at 31 December 2020.

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 2019	147,053	2,445	123,339	5,838	25,368	46	304,089
Additions	–	–	1,662	272	1,290	89	3,313
Transfer upon completion	135	–	–	–	–	(135)	–
Disposals	–	–	–	(111)	–	–	(111)
At 31 December 2019	147,188	2,445	125,001	5,999	26,658	–	307,291
Addition	7,432	–	3,228	1,586	500	4,122	16,868
Disposals	–	–	–	(1,078)	(145)	–	(1,223)
Transfer to assets held for sale	(25,636)	(983)	(1,765)	–	(2,474)	–	(30,858)
At 31 December 2020	128,984	1,462	126,464	6,507	24,539	4,122	292,078
Accumulated depreciation							
At 1 January 2019	47,490	2,016	102,459	4,750	21,521	–	178,236
Provided for the year	5,110	65	3,688	318	872	–	10,053
Eliminated on disposals	–	–	–	(105)	–	–	(105)
At 31 December 2019	52,600	2,081	106,147	4,963	22,393	–	188,184
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
Net book value							
At 31 December 2020	84,464	212	19,774	2,141	3,615	4,122	114,328
At 31 December 2019	94,588	364	18,854	1,036	4,265	–	119,107

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2020, the Group's land and buildings and leasehold improvement with an aggregate carrying amount of approximately RMB56,137,000 (2019: RMB59,186,000) respectively were pledged to secure banking facilities granted to the Group (Note 30).

Right-of-Use assets	**Land and buildings** RMB'000
At 1 January 2019	32,235
Depreciation	(1,472)
At as 31 December 2019	**30,763**
Addition	**7,432**
Depreciation	**(1,599)**
Transfer to assets held for sale	**(8,057)**
At 31 December 2020	**28,539**

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, Ossen (Jiujiang) New Materials Co., Limited had received RMB51,725,000 from the government by 31 December 2020 and recorded under other payables as the ownership of the assets had not been transferred by the year end. The assets transfer is expected to be completed within one year according to the agreement. As a result, the underlying assets related to the assets expropriation agreement are reclassified from property, plant and equipment to assets held for sale. The net book value as at 31 December 2020 is RMB12,513,000.

20. INTANGIBLE ASSETS

	Technology know-how RMB'000
Cost	
At 1 January 2019, 31 December 2019 and 2020	6,250
Accumulated depreciation	
At 1 January 2019, 31 December 2019 and 2020	6,250
Net book value	
At 31 December 2020	–
At 31 December 2019	–

21. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Shares of net assets other than goodwill	**204,630**	13,528
Goodwill	**61,505**	90,467
	266,135	103,995

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	23.4%
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

	2020 RMB'000	2019 RMB'000
As at 31 December		
Current assets	355,977	48,748
Non-current assets	8,803	5,931
Current liabilities	(3,007)	(2,082)
Non-current liabilities	(9,389)	(565)
Net assets	352,384	52,032
Group's share of the net assets of the associate	82,458	13,528
Year ended 31 December		
Revenues	15,869	11,113
Profit or loss from continuing operations	(13,781)	(11,133)
Total comprehensive income	2,088	(20)

21. INTERESTS IN ASSOCIATES (Continued)

Shanghai International Superconducting Technology Co., Ltd

	2020 RMB'000	2019 RMB'000
As at 31 December		
Current assets	130,291	–
Non-current assets	179,472	–
Current liabilities	4,183	–
Non-current liabilities	150	–
Net assets	305,430	–
Group's share of the net assets of the associate	122,172	–
Year ended 31 December		
Revenues	17,921	–
Profit or loss from continuing operations	(28,792)	–
Total comprehensive income	(10,871)	–

22. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	341,404	221,203
Work-in-progress	16,536	66,564
Finished goods	93,993	12,836
	451,933	300,603
Less: provision for impairment on inventories	(835)	(835)
	451,098	299,768

23. TRADE AND RETENTION RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	935,734	1,125,781
Retention receivables	93,980	92,430
Less: impairment loss on trade and retention receivables	(44,425)	(34,053)
	985,289	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 the invoice dates, as of the year end.

	2020 RMB'000	2019 RMB'000
Within 3 months	562,292	626,132
Within 4–6 months	69,182	245,313
Within 7–12 months	58,482	104,654
More than 1 year but less than 2 years	248,811	163,714
More than 2 years but less than 3 years	34,228	25,701
More than 3 years but less than 4 years	3,733	17,270
More than 4 years but less than 5 years	7,281	1,374
Over 5 years	1,280	–
	985,289	1,184,158

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

23. TRADE AND RETENTION RECEIVABLES (Continued)

Movements in the impairment loss are as follows:

	2020 RMB'000	2019 RMB'000
Balance at beginning of the year	**34,053**	22,512
Impairment loss recognised on trade and retention receivables	**2,354**	11,541
Bad debt written off recognised on trade and retention receivables	**8,018**	–
	44,425	34,053

As at 31 December 2019 and 2020, the Group's certain trade and retention receivables were pledged to secure banking facilities granted to the Group (Note 30).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Prepayments	**1,355,014**	1,088,623
Deposits	**260,825**	303,830
Other receivables	**7,359**	9,980
Less: impairment loss on deposits and other receivables	**(6,303)**	(6,614)
	1,616,895	1,395,819
Less:		
Deposits (non-current)	**(152,037)**	(136,735)
	1,464,858	1,259,084

Prepayments, deposits and other receivables under current portion as at 31 December 2020 were neither past due nor impaired relate to customers for whom there is no recent history of default. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no history of default and are expected to be realised upon their respective expiry dates.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2020	2019
	RMB'000	RMB'000
Equity investment measured at FVTPL	**–**	88,597

Note:

On 2 July 2019, the Group acquired USD12,650,000 of the investment fund in China Everbright Asset Management Limited. The equity investment was irrevocably designated at fair value through profit and loss as the Group considers this investment to be trade in nature. The equity investment has been disposed on 17 January 2020.

26. DEFERRED TAX ASSETS

	Accrued expenses	**Others** (Note i)	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2019	2,801	3,226	6,027
Charged to profit for the year	2,377	(891)	1,486
At 31 December 2019 and 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	**2,975**	**6,940**	**9,915**

Note:

(i) The amount represents mainly deferred tax assets arising from provision for impairment loss of trade and retention receivables, deposit and other receivables at the amounts of RMB34,053,000 and RMB6,614,000 respectively as at 31 December 2019 and at the amounts of RMB36,407,000 and RMB6,303,000 respectively as at 31 Dec 2020.

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

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

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

27. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances (Note (a))	1,139,457	526,342
Less: restricted bank deposits (Note (b))	(247,536)	(218,704)
Cash and cash equivalents	891,921	307,638

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

Note:

(a) At 31 December 2020, the Group's cash and bank balances denominated in RMB amounted to approximately RMB800,111,000 (2019: RMB218,980,000) 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 2020, the Group pledged its bank deposits in order to fulfil collateral requirements for bills payables (Note 28), letter of credit and demand guarantee.

28. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	142,295	188,357
Bills payable	442,681	399,720
	584,976	588,077

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

	2020 RMB'000	2019 RMB'000
Within 3 months	92,559	144,085
Within 4–6 months	19,493	16,012
Within 7–12 months	19,816	13,389
More than 1 year but less than 2 years	5,762	11,196
More than 2 year but less than 3 years	2,412	964
More than 3 year but less than 4 years	153	376
More than 4 year but less than 5 years	199	387
Over 5 years	1,901	1,948
	142,295	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.

As at 31 December 2020, bills payable of RMB382,681,000 (2019: RMB174,130,000) were secured by the Group's restricted bank deposits of RMB163,704,000 (2019: RMB85,620,000) (Note 30).

29. CONTRACT LIABILITIES

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

	2020 RMB'000	2019 RMB'000
Contract liabilities	**155,807**	82,293

Movements in contract liabilities:	2020 RMB'000	2019 RMB'000
Balance as at 1 January	**82,293**	46,298
Decrease in contract liabilities as a result of recognising revenue	**(20,793)**	(17,496)
Increase in contract liabilities as a result of payment in advance from customers	**94,307**	53,491
Balance at 31 December	**155,807**	82,293

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

	2020 RMB'000	2019 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	**7,024**	17,026
Manufacture and sale of customised prestressed steel materials	**13,769**	470
	20,793	17,496

30. BANK AND OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Current		
Secured interest-bearing		
– short-term bank loans	1,033,940	904,306
Non-current		
Secured interest-bearing		
– long-term bank and other loans	606,460	42,500
	1,640,400	946,806

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

	2020 RMB'000	2019 RMB'000
On demand or within one year	1,033,940	904,306
More than one year, but not exceeding two years	503,973	–
More than two years, but not exceeding five years	102,487	42,500
	1,640,400	946,806

The bank and other borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 4.30% to 9.00% (2019: from 0.08% to 8.80%) at 31 December 2020.

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, and corporate guarantees given by independent third parties and Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) New Materials Co. Limited, Ossen Group Holding Limited, Shanghai Pujiang Cable Co., Limited, Shanghai New Materials Industry Technology Research Institute Co Ltd, Pujiang International Group Limited, Elegant Kindness Limited, Top Innovation Enterprises Limited, Acme Innovation Limited, Ossen Innovation Co., Ltd, Ossen Innovation Materials Group Co., Ltd, Top China Development Group Limited, Ossen Group Co., Limited, International Superconductor Holdings Limited, Chao Ao Investment Shanghai Co., Ltd, Shanghai Xiong Ao Enterprise Management Co., Ltd.

31. AMOUNTS DUE TO A SHAREHOLDER/RELATED COMPANIES

As at 31 December 2019 and 2020, the amounts due to a shareholder and related companies are unsecured, interest-free and repayable on demand.

32. LEASES

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

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

As at 31 December 2019 and 31 December 2020	Lease contracts	Fixed payments
		RMB'000
Property leases with fixed payments	2	3,616

(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:

	2020 RMB'000	2019 RMB'000
Ownership interests in leasehold land, carried at depreciated cost with remaining lease term of:		
– 50 years or more	35,007	28,465
Other properties leased for own use, carried at depreciated cost	1,589	2,298

32. LEASES (Continued)

(c) Lease liabilities

	RMB'000
At 1 January 2019	3,007
Interest expenses	146
Lease payments	(779)
At 31 December 2019	2,374
Interest expenses	123
Lease payments	(785)
At 31 December 2020	1,712

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2020 is 5.94%.

Future lease payments are due as follows:

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**

At 31 December 2019	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	785	(123)	662
Later than one year and not later than two years	2,051	(339)	1,712
	2,836	(462)	2,374

32. LEASES (Continued)

(c) Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	2020 RMB'000	2019 RMB'000
Current liabilities	355	662
Non-current liabilities	1,357	1,712
	1,712	2,374

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

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

	2020 RMB'000	2019 RMB'000
Depreciation of right-of-use assets in respect of land and buildings (included in administrative expenses)	1,599	1,472
Interest expense (included in finance costs)	123	146

33. SHARE CAPITAL

Details of the share capital of the Company are as follows:

	Share capital	
	Number	RMB'000
Issued and fully paid		
At 1 January 2019	168,760	1
Capitalisation issue (Note (a))	599,831,240	5,279
Share issuance (Note (b) & (c))	211,044,000	1,858
At 31 December 2019 and 2020	811,044,000	7,138

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 was 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.

34. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the year are set out in the consolidated statements of changes in equity.

(b) The Company

The movement in the reserves of the Company is presented below:

	Share premium RMB'000	Share-based payment reserves RMB'000	Translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2019	–	–	–	(14,859)	(14,859)
Issuance of share capital	495,924	–	–	–	495,924
Share issued pursuant to capitalisation issue	(5,279)	–	–	–	(5,279)
Share issue expenses	(25,629)	–	–	–	(25,629)
Equity settled share-based transactions	–	47,688	–	–	47,688
Exchange difference arising on translation of foreign operations	–	–	6,337	–	6,337
Loss for the year	–	–	–	(61,551)	(61,551)
As at 31 December 2019 and 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)**
	465,016	**47,688**	**(24,158)**	**(110,274)**	**378,272**

34. RESERVES (Continued)

(c) The following describes the nature and purpose of each reserve within owner's equity:

Type of reserves	**Description and purpose**
Share premium	Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off 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	Cumulative net gains and loss recognised in profit and loss.

35. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	**2020**	2019
Shanghai Pujiang Cable Co., Limited and its subsidiaries ("PJ Group")	**1.48%**	1.48%
Ossen Innovation Materials Co., Limited	**46.62%**	46.62%
Ossen (Jiujiang) New Materials Co. Limited	**36.67%**	36.67%

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

PJ Group	**2020** **RMB'000**	2019 RMB'000
For the year ended 31 December		
Revenue	**986,994**	883,523
Profit for the year	**135,984**	113,137
Total comprehensive income	**135,984**	113,137
Profit allocated to NCI	**2,019**	1,674
For the year ended 31 December		
Cash flows from operating activities	**233,837**	(31,571)
Cash flows from investing activities	**(126,799)**	(46,844)
Cash flows from financing activities	**447,794**	59,666
Net cash outflows/(inflows)	**554,832**	(18,749)

35. NON-CONTROLLING INTERESTS (Continued)

	2020 RMB'000	2019 RMB'000
Current assets	2,408,481	1,796,481
Non-current assets	341,415	323,110
Current liabilities	(1,761,515)	(1,577,198)
Non-current liabilities	(206,953)	(1,712)
Net assets	781,428	540,681
Non-controlling interests	9,914	7,895

Ossen Innovation Materials Co., Limited	2020 RMB'000	2019 RMB'000
For the year ended 31 December		
Revenue	435,406	439,887
Profit for the year	25,888	28,023
Total comprehensive income	25,888	28,023
Profit allocated to NCI	12,069	13,065
For the year ended 31 December		
Cash flows from operating activities	(25,923)	22,065
Cash flows from investing activities	549	(5,943)
Cash flows from financing activities	18,013	(8,994)
Net cash (outflows)/inflows	(7,361)	7,128

35. NON-CONTROLLING INTERESTS (Continued)

	2020 RMB'000	2019 RMB'000
Current assets	538,926	476,790
Non-current assets	55,883	56,733
Current liabilities	(127,083)	(91,688)
Non-current liabilities	(42,500)	(42,500)
Net assets	425,226	399,335
Non-controlling interests	145,625	133,556

Ossen (Jiujiang) New Materials Co., Limited	2020 RMB'000	2019 RMB'000
For the year ended 31 December		
Revenue	536,421	527,407
Profit for the year	70,426	57,174
Total comprehensive income	70,426	57,174
Profit allocated to NCI	25,849	20,964
For the year ended 31 December		
Cash flows from operating activities	53,360	(21,290)
Cash flows from investing activities	(15,767)	5,887
Cash flows from financing activities	(33,404)	11,860
Net cash inflows/(outflows)	4,189	(3,543)

35. NON-CONTROLLING INTERESTS (Continued)

	2020 RMB'000	2019 RMB'000
Current assets	790,376	725,259
Non-current assets	22,033	25,678
Current liabilities	(177,899)	(186,924)
Non-current liabilities	–	–
Net assets	634,510	564,013
Non-controlling interests	164,786	138,937

Summary of Non-controlling interests:

	2020 RMB'000	2019 RMB'000
Non-controlling interests as at year ended 31 December:		
PJ Group	9,914	7,895
Ossen Innovation Materials Co., Limited	145,625	133,556
Ossen (Jiujiang) New Materials Co., Limited	164,786	138,937
Others (non-material)	(1,270)	25
	319,055	280,413
Movement of non-controlling interest during the year ended:		
PJ Group	2,019	1,674
Ossen Innovation Materials Co., Limited	12,069	13,065
Ossen (Jiujiang) New Materials Co., Limited	25,849	20,964
Others (non-material)	(1,295)	(350)
	38,642	35,353

36. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investment in subsidiaries	448,500	–*
Current assets		
Amounts due from subsidiaries	–	142,381
Financial assets at fair value through profit and loss	–	88,597
Restricted bank deposits	42,861	43,000
Cash and cash equivalents	293,547	263,032
Total current assets	336,408	537,010
Total assets	784,908	537,010
Current liabilities		
Amounts due to subsidiaries	41,134	2,140
Bank borrowings	–	85,101
Total current liabilities	41,134	87,241
Non-current liabilities		
Other borrowings	358,364	–
NET ASSETS	385,410	449,769
Capital and reserves		
Share capital	7,138	7,138
Other reserves	378,272	442,631
TOTAL EQUITY	385,410	449,769

* Represented amount less than RMB1,000.

On behalf of the directors

Tang Liang **Zhou Xufeng**

37. INVESTMENT IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company 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
Acme Innovation Limited	British Virgin Islands ("BVI"), 28 May 2018, limited liability company	100%	–	USD50,000	Investment holding, BVI
Ossen Innovation Co., Ltd	BVI, 21 January 2010, limited liability company	–	65.9%	USD50,000	Investment holding, BVI
Ossen Innovation Materials Group Co., Limited	BVI, 30 April 2010, limited liability company	–	65.9%	USD50,000	Investment holding, BVI
Ossen Group (Asia) Co., Limited	BVI, 7 February 2002, limited liability company	–	65.9%	USD50,000	Investment holding, BVI
Topchina Development Group Limited	BVI, 3 November 2004, limited liability company	–	65.9%	USD50,000	Investment holding, BVI
Ossen Innovation Materials Co., Limited* (Note (d)) (奧盛新材料股份有限公司)	The People's Republic of China ("PRC"), 27 October 2004, limited liability company	–	53.38%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of customised prestressed steel materials, PRC
Ossen (Jiujiang) New Materials Co., Limited* (Note (d)) (奧盛(九江)新材料有限公司)	PRC, 13 April 2005, limited liability company	–	63.33%	Registered and fully paid capital RMB183,271,074	Manufacture and sales of customised prestressed steel materials, PRC
Top Innovation Enterprises Limited	BVI, 28 May 2018, limited liability company	100%	–	USD50,000	Investment holding, BVI

37. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company 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
Ossen Group Co., Ltd (奧盛集團有限公司)	Hong Kong, 21 September 2016, limited liability company	–	100%	HK$10,000	Investment holding, BVI
Shanghai Xiong Ao Enterprise Management Co., Ltd* (Note (c)) (上海雄傲企業管理有限公司)	PRC, 5 June 2018, limited liability company	–	99%	Registered capital RMB1,006,985	Dormant
Shanghai Pujiang Cable Co., Limited* (Note (d)) (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* (Note (b)) (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* (Note (b)) (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 (Note (a)) (超傲投資(上海)有限公司)	PRC, 29 September 2019, limited liability company	–	100%	USD70,000,000	Dormant

37. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Directly	Indirectly		
New Ossen Group Limited	BVI, 11 November 2020, limited liability company	100%	–	USD50,000	Dormant
New Ossen Innovation Limited	BVI, 12 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* (Note (a)) (隆傲投資(上海)有限公司)	PRC, 20 October 2020, limited liability company	–	100%	USD50,000,000	Dormant

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

Note (a): These subsidiaries are registered as wholly-foreign-owned enterprises under the laws of the PRC.

Note (b): These subsidiaries are registered as wholly-domestic-owned enterprises under the laws of the PRC.

Note (c): The subsidiary is registered as Taiwan, Hong Kong or Macau and domestic joint venture under the laws of the PRC.

Note (d): These subsidiaries are registered as sino-foreign equity joint venture under the laws of the PRC.

38. NOTES SUPPORTING CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Amount due to a shareholder (note 31) RMB'000	Bank and other borrowings (note 30) RMB'000	Lease liabilities (note 32) RMB'000
At 1 January 2019	18,730	730,994	3,007
Changes from cash flows:			
Interest paid	–	(67,411)	–
Proceeds from new bank loans	–	373,651	–
Repayment of bank loans	–	(157,950)	–
Lease payments	–	–	(779)
Repayment of amount due to a shareholder	(18,730)	–	–
Total changes from financing cash flows:	(18,730)	148,290	(779)
Other changes:			
Interest expenses	–	67,522	146
Total other changes	–	67,522	146
At 31 December 2019	**–**	**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	**–**	**91,304**	**123**
At 31 December 2020	**–**	**1,640,400**	**1,712**

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, there are no related party transactions for the year ended 31 December 2020 (2019: 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.

40. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholders of the Company on 24 April 2019, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The maximum term of the options granted is 10 years from the date of offer. The exercise price of the options granted is set as the Stock Exchange closing price of the Company's shares on the date of the offer. The Share Option Scheme is deemed to be an equity-settled share based remuneration scheme for employees and directors of the Group, and employees of the associate. The Share Option Scheme will be valid and effective for a period of 10 years commencing from 3 June 2019 and 23 October 2019, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

Details of the share options outstanding during the year are as follows:

	Weighted average exercise price 2020 HK$	**Number 2020**	Weighted average exercise price 2019 HK$	Number 2019
Outstanding at beginning and end of the year	**3.11**	**42,000,000**	–	–
Share Option 1 Granted on 3 June 2019	**–**	**–**	2.80	32,000,000
Share Option 2 Granted on 23 October 2019	**–**	**–**	4.09	10,000,000
Outstanding at the end of the year	**3.11**	**42,000,000**	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.

40. SHARE OPTION SCHEME (Continued)

The weighted average share price at the date of exercise of options exercised during the year was HK$3.11.

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

The equity settled share-based payment of RMB47,688,000 was recognised in profit or loss during the year.

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

Equity-settled	**Share Option 1**	**Share Option 2**
Option pricing model used	Binomial Option Pricing Model	Binomial Option Pricing Model
Weighted average share price at grant date	HK$2.80	HK$4.09
Exercise price	HK$2.80	HK$4.09
Weighted average contractual life	10 years	10 years
Expected volatility	47.61%	50.06%
Expected dividend rate	3.5%	3.5%
Risk-free interest rate	1.34%	1.49%

41. CAPITAL COMMITMENTS

	2020 RMB'000	2019 RMB'000
Commitments for the acquisition of:		
Land	–	6,115

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2020 RMB'000	2019 RMB'000
Financial assets		
Fair value through profit and loss		
– Equity investments	–	88,597
Financial assets at amortised cost		
– Cash and cash equivalents	881,839	307,638
– Restricted bank deposits	240,804	218,704
– Trade and retention receivables	985,289	1,184,158
– Other receivables	261,300	167,181
	2,369,232	1,877,681
Financial liabilities measured at amortised cost		
– Trade and bills payables	584,976	588,077
– Other payables and accruals	33,014	1,486
– Bank and other borrowings	1,640,400	946,806
– Amounts due to related parties	–	104,000
	2,258,390	1,640,369

43. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At each of the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of the financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past due amounts within 1 year	12-months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	Amount is >5 years past due or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

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

For trade and retention receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group has assessed expected credit loss by grouping the receivables based on shared credit risk characteristics. Accordingly, the Group is of the view that the expected credit loss rate to be consistent throughout the Track Record Period, by taking into consideration of the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group assessed that there were no significant change in the actual credit loss rate over the Track Record Period. The following tables detail the risk profile of trade receivables:

Trade and retention receivables

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%	89%	4%
Estimated total gross carrying amount at default (RMB'000)	705,338	261,500	36,462	4,385	10,401	11,628	1,029,714
Lifetime ECL (RMB'000)	(15,382)	(12,689)	(2,234)	(652)	(3,120)	(2,330)	(36,407)
Bad debt written off	–	–	–	–	–	(8,018)	(8,018)
	689,956	248,811	34,228	3,733	7,281	1,280	985,289

At 31 December 2019	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%	24%	100%	3%
Estimated total gross carrying amount at default (RMB'000)	983,646	172,331	28,557	21,657	1,815	10,205	1,218,211
Lifetime ECL (RMB'000)	(7,547)	(8,617)	(2,856)	(4,387)	(441)	(10,205)	(34,053)
	976,099	163,714	25,701	17,270	1,374	–	1,184,158

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

For the purpose of the impairment assessment for other receivables and deposits, the loss allowance is measured at an amount equal to 12 month ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The following tables detail the risk profile of other receivables and deposits:

Other receivables

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

At 31 December 2019	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	3%	3%	3%	3%	3%	3%	3%
Estimated total gross carrying amount at default (RMB'000)	5,648	134	364	70	10	79	6,305
12 month ECL (RMB'000)	(166)	(4)	(11)	(2)	(1)	(1)	(185)
	5,482	130	353	68	9	78	6,120

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

Deposits

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

At 31 December 2019	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%	3%	3%	2%
Estimated total gross carrying amount at default (RMB'000)	187,882	70,369	29,450	1,904	13,216	1,008	303,829
12 month ECL (RMB'000)	(3,962)	(1,406)	(618)	(52)	(363)	(28)	(6,429)
	183,920	68,963	28,832	1,852	12,853	980	297,400

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

44. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade and retention receivables, other receivables, restricted bank deposits and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade and bills payables, other payables and accruals, bank 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.

44. 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	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 year	More than 2 year but less than 5 years	More than 5 year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019						
Trade and bills payables	588,077	588,077	588,077	–	–	–
Other payables and accruals	46,897	46,897	46,897	–	–	–
Bank borrowings	946,806	1,020,414	971,715	48,699	–	–
Amounts due to related companies	104,000	104,000	104,000	–	–	–
	1,685,780	1,759,388	1,710,689	48,699	–	–
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 and other 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	–

44. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

At 31 December 2019 and 2020, the aggregate undiscounted principal amounts of these loans amounted to approximately RMB946,806,000 and RMB1,640,400,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 1 month	1 to 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings					
At 31 December 2020	50,000	114,700	839,240	636,460	1,640,400
At 31 December 2019	120,116	62,499	721,691	42,500	946,806

44. FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its bank borrowings are subject to floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 30 to the financial statements.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table illustrates the sensitivity of the profit for the year and retained profits to a change in interest rates of +100 basis point and -100 basis point with effect from the beginning of the year. The calculations are based on the Group's interest-bearing bank borrowings held at each reporting date which are subject to variable interest rates. All other variables are held constant.

	2020	2019
	RMB'000	RMB'000
If interest rates were 100 basis point higher		
Net profit for the year and retained profits decreased by	**10,039**	8,607
If interest rates were 100 basis point lower		
Net profit for the year and retained profits increased by	**10,039**	8,607

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

44. 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.

	2020 RMB'000	2019 RMB'000
Total debt	2,258,390	1,759,388
Equity attributable to the owners of the Company	1,764,355	1,623,115
Total debt and equity	4,022,745	3,382,503
Gearing ratio	56.14%	52.01%

44. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair value

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "Fair Value Hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (I.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and retention receivables, other receivables, trade and bills payables, other payables and accruals, amount due to 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 2020.

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

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.

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 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 17 March 2021.