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PUJIANG INTERNATIONAL GROUP LIMITED

浦江國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2060)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	Unaudited		Change
	Six months ended 30 June		
	2022	2021	
	RMB'000	RMB'000	(%)
Revenue	1,028,266	952,165	8.0
Gross profit	230,211	261,745	(12.0)
Profit for the period	75,711	97,943	(22.7)
Earnings per share (diluted)	RMB0.0872	RMB0.0978	(10.8)

The board of directors (the “**Board**”) of Pujiang International Group Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021.

This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s audit committee and by the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Unaudited	
		six months ended 30 June	
		2022	2021
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	1,028,266	952,165
Cost of sales		<u>(798,055)</u>	<u>(690,420)</u>
Gross profit		230,211	261,745
Other revenue		5,913	6,660
Other gains and losses		34,225	493
Impairment loss (recognised)/reversed on trade and retention receivables		(32,378)	3,545
Impairment loss reversed/(recognised) on deposits and other receivables		281	(816)
Selling and distribution costs		(10,563)	(21,023)
General and administrative expenses		(21,089)	(35,671)
Research and development expenses		(39,471)	(41,890)
Share of loss of associates		(7,558)	(1,795)
Finance costs	7	<u>(76,951)</u>	<u>(50,143)</u>
Profit before income tax expenses	8	82,620	121,105
Income tax expenses	10	<u>(6,909)</u>	<u>(23,162)</u>
Profit for the period		<u>75,711</u>	<u>97,943</u>
Attributable to:			
– Owners of the Company		70,912	79,447
– Non-controlling interests		<u>4,799</u>	<u>18,496</u>
		<u>75,711</u>	<u>97,943</u>

	Unaudited	
	six months ended 30 June	
	2022	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	75,711	97,943
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of foreign operations	<u>(2,563)</u>	<u>(11,059)</u>
Other comprehensive income for the period	<u>(2,563)</u>	<u>(11,059)</u>
Total comprehensive income for the period	<u>73,148</u>	<u>86,884</u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	68,349	67,476
– Non-controlling interests	<u>4,799</u>	<u>19,408</u>
	<u>73,148</u>	<u>86,884</u>
Earnings per share for profit attributable to owners of the Company	<i>RMB</i>	<i>RMB</i>
	<i>12</i>	
– Basic	<u>0.0874</u>	<u>0.0980</u>
– Diluted	<u>0.0872</u>	<u>0.0978</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>13</i>	282,433	153,849
Intangible assets	<i>14</i>	–	–
Interest in associates	<i>15</i>	247,441	254,999
Deferred tax assets		17,173	11,493
Deposits		171,079	135,839
		<u>718,126</u>	<u>556,180</u>
Current assets			
Inventories		662,601	602,799
Trade and retention receivables	<i>16</i>	1,663,166	1,326,654
Prepayments, deposits and other receivables		2,071,829	2,209,998
Restricted bank deposits		295,132	234,648
Cash and cash equivalents		348,122	372,974
		<u>5,040,850</u>	<u>4,747,073</u>
Non-current assets classified as held for sale	<i>17</i>	–	17,590
Total current assets		<u>5,040,850</u>	<u>4,764,663</u>
Total assets		<u>5,758,976</u>	<u>5,320,843</u>

		Unaudited	Audited
		As at	As at
		30 June	31 December
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
Current liabilities			
Trade and bills payables	18	1,037,912	737,766
Contract liabilities		85,000	59,147
Other payables and accruals		206,167	158,736
Bank and other borrowings	19	1,770,122	1,921,219
Amounts due to related companies		72,019	104,000
Income tax payable		35,331	31,596
Lease liabilities		26,487	28,192
		<u>3,233,038</u>	<u>3,040,656</u>
Net current assets		<u>1,807,812</u>	<u>1,724,007</u>
Total assets less current liabilities		<u>2,525,938</u>	<u>2,280,187</u>
Non-current liabilities			
Lease liabilities		1,066	13,272
Bank and other borrowings	19	282,296	97,487
		<u>283,362</u>	<u>110,759</u>
Net assets		<u>2,242,576</u>	<u>2,169,428</u>
CAPITAL AND RESERVES			
Share capital	20	7,138	7,138
Reserves		2,133,933	2,065,584
		<u>2,141,071</u>	<u>2,072,722</u>
Equity attributable to owners of the Company		<u>2,141,071</u>	<u>2,072,722</u>
Non-controlling interests		<u>101,505</u>	<u>96,706</u>
Total equity		<u>2,242,576</u>	<u>2,169,428</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business in the People's Republic of China (the "PRC") is 16/F., No. 518 Shangcheng Road, Shanghai, 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 (the "**Hong Kong Stock Exchange**") since 28 May 2019.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**"), issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**"). These interim condensed consolidated financial statements were authorised for issue on 24 August 2022.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") have no material effect on these interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2021.

These interim condensed consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2021 consolidated financial statements.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

3. CHANGES IN HKFRS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2021.

5. SEGMENT INFORMATION

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

Based on the above, the Group's top management determined that the Group has two reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Cables
Provision of manufacture, installation and sale of cables
- Prestressed steel materials
Provision of manufacture and sale of customised prestressed steel materials

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

(a) Segment revenue and results

For the six months ended 30 June 2022 (unaudited)

	Cables	Prestressed steel materials	Elimination	Segment total	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	<u>514,934</u>	<u>513,332</u>	<u>–</u>	<u>1,028,266</u>	<u>–</u>	<u>1,028,266</u>
Segment profit/(loss) before income tax expenses	<u>58,640</u>	<u>51,850</u>	<u>–</u>	<u>110,490</u>	<u>(27,870)</u>	<u>82,620</u>

For the six months ended 30 June 2021 (unaudited)

	Cables	Prestressed steel materials	Elimination	Segment total	Unallocated	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from external customers	<u>512,430</u>	<u>439,735</u>	<u>–</u>	<u>952,165</u>	<u>–</u>	<u>952,165</u>
Segment profit/(loss) before income tax expenses	<u>91,892</u>	<u>56,951</u>	<u>–</u>	<u>148,843</u>	<u>(27,738)</u>	<u>121,105</u>

(b) Segment assets and liabilities

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

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Segment assets		
Cables	3,524,537	3,136,598
Prestressed steel materials	1,476,628	1,408,477
Segment assets	5,001,165	4,545,075
Unallocated	757,811	775,768
Total assets	5,758,976	5,320,843
Segment liabilities		
Cables	2,683,260	2,319,836
Prestressed steel materials	488,858	440,375
Segment liabilities	3,172,118	2,760,211
Unallocated	344,282	391,204
Total liabilities	3,516,400	3,151,415

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

For the six months ended 30 June 2022 (unaudited)

	Prestressed steel		Segment	Unallocated	Total
	Cables	materials	total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	738	596	1,334	31	1,365
Government grants	3,260	1,283	4,543	-	4,543
Finance costs	(58,030)	(6,400)	(64,430)	(12,521)	(76,951)
Income tax expenses	727	(7,636)	(6,909)	-	(6,909)
Depreciation of right-of-use assets	(180)	(14,857)	(15,037)	-	(15,037)
Depreciation of property, plant and equipment	(1,189)	(2,157)	(3,346)	-	(3,346)
Share of loss of associates	-	-	-	(7,558)	(7,558)
Impairment loss recognised on trade receivables and retention receivables	(14,300)	(18,078)	(32,378)	-	(32,378)
Impairment loss reversed on deposits and other receivables	281	-	281	-	281
Gain on disposal of property, plant and equipment	13	23	36	-	36
Additions to property, plant and equipment	6,129	140,853	146,982	-	146,982
Gain on disposal of assets classified as held for sale	-	34,135	34,135	-	34,135

For the six months ended 30 June 2021 (unaudited)

	Prestressed steel		Segment	Unallocated	Total
	Cables	materials	total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	1,774	483	2,257	8	2,265
Government grants	2,610	1,784	4,394	-	4,394
Finance costs	(32,779)	(9,210)	(41,989)	(8,154)	(50,143)
Income tax expenses	(14,140)	(9,022)	(23,162)	-	(23,162)
Depreciation of right-of-use assets	(345)	(267)	(612)	-	(612)
Depreciation of property, plant and equipment	(2,432)	(1,217)	(3,649)	-	(3,649)
Share of profit/(loss) of associates	-	-	-	(1,795)	(1,795)
Impairment loss reversed/(recognised) on trade receivables and retention receivables	3,895	(350)	3,545	-	3,545
Impairment loss recognised on deposits and other receivables	(816)	-	(816)	-	(816)
Written off of property, plant and equipment	(3)	-	(3)	-	(3)
Loss on disposal of property, plant and equipment	-	(4)	(4)	-	(4)
Additions to property, plant and equipment	5,276	26,582	31,858	-	31,858

(d) Geographical information

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 99% of the Group's revenue is from external customers in the PRC during the period.

(e) Information about major customers

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

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Customer A ¹	373,276	311,522
Customer B ²	–	106,162

Notes:

¹ Revenue from sales of prestressed steel materials.

² Revenue from sales of cables.

6. REVENUE

Revenue represents the net invoiced value of goods sold or services rendered and earned by the Group. All the Group's revenue is derived from contracts with customers.

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade and retention receivables	1,663,166	1,326,604
Contract liabilities	85,000	59,147

Timing of revenue recognition

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

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
At a point in time		
Sales of customised prestressed steel materials and cables	1,026,771	944,754
Over time		
Provision of installation services	1,495	7,411
	<u>1,028,266</u>	<u>952,165</u>

Unsatisfied performance obligations

As at 30 June 2021 and 2022, the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) were approximately RMB1,333,019,000 and RMB1,588,000,000 respectively. Management expects that the unsatisfied performance obligations at each reporting date will be recognised as revenue in the subsequent one to three years based on the contract period and the timing of the transfer of those goods and services is at the discretion of the customers.

7. FINANCE COSTS

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Interest expense on bank borrowings	73,125	50,034
Interest expense on other borrowing	–	62
Interest expense on lease liabilities	902	47
Interest expense on bills payables	4,975	–
	<u>79,002</u>	<u>50,143</u>
Less: amount capitalised into qualifying assets	<u>(2,051)</u>	<u>–</u>
	<u>76,951</u>	<u>50,143</u>

Borrowing costs included in the cost of qualifying assets during the period arose on general borrowing pool and are calculated by applying a capitalisation rate of 5.74 per cent (2021: Nil) to expenditure on such assets.

8. PROFIT BEFORE INCOME TAX EXPENSES

The Group's profit before income tax expenses is arrived at after charging:

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Auditors' remuneration	550	500
Cost of inventories sold (<i>note i</i>)	798,055	690,420
Employee costs (<i>Note 9</i>)	27,369	27,128
Depreciation charge:		
– Property, plant and equipment	3,346	3,649
– Right of use assets	15,037	612
	<u>15,037</u>	<u>612</u>

Note:

- (i) Cost of inventories sold for the six months ended 30 June 2021 and 2022 includes approximately RMB21,939,000 and RMB12,731,000 of employee costs and depreciation charge, which are also included in the respective total amounts disclosed above for each of these types of expenses respectively.

9. EMPLOYEE COSTS

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	20,819	20,844
Contributions to retirement benefits scheme	3,213	3,426
Other employee benefits	3,337	2,858
	<u>27,369</u>	<u>27,128</u>

10. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)		
– for the period	19,555	17,754
– (Over)/under provision in the prior periods	(6,966)	4,273
	<u>12,589</u>	<u>22,027</u>
Deferred tax		
– for the period	(5,680)	1,135
	<u>(5,680)</u>	<u>1,135</u>
Income tax expenses	<u>6,909</u>	<u>23,162</u>

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

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

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

11. DIVIDENDS

The Board of Directors has not declared an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The Board of Directors has resolved not to recommend any payment of dividends for year ended 31 December 2021 (2020: HK\$0.05 per ordinary share).

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on profit for the period attributable to owners of the Company of approximately RMB70,912,000 (six months ended 30 June 2021: RMB79,447,000) and the weighted average number of ordinary shares of 811,044,000 shares (six months ended 30 June 2021: 811,044,000).

(b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on profit for the period attributable to owners of the Company of RMB70,912,000 (six months ended 30 June 2021: RMB79,447,000) and the weighted average number of ordinary shares of 813,220,180 shares (six months ended 30 June 2021: 812,479,953).

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

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	70,912	79,447
	Number of shares 2022	Number of shares 2021
Number of Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	811,044,000	811,044,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	2,176,180	1,435,953
Weighted average number of ordinary shares during the period used in the diluted earnings per share calculation	813,220,180	812,479,953

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of plant and machinery with a cost of approximately RMB146,982,000 (six months ended 30 June 2021: RMB31,858,000) of which construction in progress is RMB146,469,000 (six months ended 30 June 2021: RMB4,502,000). Amongst the additions of property, plant and equipment during the six months ended 30 June 2022, RMB74,707,000 was unpaid and included within “Other payables and accruals” (six months ended 30 June 2021: Nil).

There are items of plant and machinery being disposed of for the six months ended 30 June 2022 with a cost of approximately RMB389,000 (six months ended 30 June 2021: RMB95,000), whose net book value is approximately RMB16,000 (six months ended 30 June 2021: RMB4,000), with a gain of disposal of approximately RMB36,000 (six months ended 30 June 2021: loss of disposal of RMB4,000).

There is no item of plant and machinery being written off for the six months ended 30 June 2022. There are items of plant and machinery being written off for the six months ended 30 June 2021 with a cost of approximately RMB59,000, whose net book value is approximately RMB3,000.

14. INTANGIBLE ASSETS

	Technology know-how RMB'000
Cost	
At 31 December 2021 and 30 June 2022	<u>6,250</u>
Accumulated amortisation	
At 31 December 2021 and 30 June 2022	<u>6,250</u>
Net book value	
At 30 June 2022 (Unaudited)	<u>–</u>
At 31 December 2021 (Audited)	<u>–</u>

15. INTEREST IN ASSOCIATES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Share of net assets other than goodwill	185,936	193,494
Goodwill	61,505	61,505
	247,441	254,999

Details of the Group's associates are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/profit share
Shanghai Push Medical Device Technology Co., Limited	Developing the technology of, manufacturing and sales of medical equipment in the PRC	23.108%
Shanghai International Superconducting Technology Co., Ltd	Developing the technology of, manufacturing and superconducting cables and attachments in the PRC	40%

Summarised financial information of associates:

Shanghai Push Medical Device Technology Co., Limited

	Unaudited As at 30 June 2022 <i>RMB'000</i>	Audited As at 31 December 2021 <i>RMB'000</i>
Current assets	109,154	136,325
Non-current assets	324,160	298,697
Current liabilities	(16,026)	(19,032)
Non-current liabilities	(15,083)	(19,279)
Net assets	402,205	396,711
Group's share of the net assets of the associate	92,942	91,672
	Unaudited six months ended 30 June 2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	37,132	36,819
Expenses	(31,639)	(17,429)
Profit and total comprehensive income	5,493	19,390
Group's share of profit of the associate	1,269	4,537

Shanghai International Superconducting Technology Co., Ltd

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Current assets	102,744	118,535
Non-current assets	131,971	151,231
Current liabilities	(879)	(11,330)
Non-current liabilities	(1,350)	(3,881)
Net assets	232,486	254,555
Group's share of the net assets of the associate	92,994	101,822

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue	122	99
Expenses	(22,191)	(15,930)
Loss and total comprehensive loss	(22,069)	(15,831)
Group's share of loss of the associate	(8,827)	(6,332)

16. TRADE AND RETENTION RECEIVABLES

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Trade receivables	1,578,014	1,218,915
Retention receivables	152,840	142,999
Less: impairment loss on trade and retention receivables	(67,688)	(35,310)
Bill receivables	1,663,166	1,326,604
	–	50
	1,663,166	1,326,654

The Group grants a credit period within 0-90 days to its trade customers, included in trade and retention receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of the Reporting Period:

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Within 3 months	666,228	573,600
Within 4 - 6 months	138,169	223,039
Within 7 - 12 months	392,295	157,442
More than 1 year but less than 2 years	350,513	304,865
More than 2 years but less than 3 years	95,855	54,188
More than 3 years but less than 4 years	13,524	9,278
More than 4 years but less than 5 years	5,074	3,159
Over 5 years	1,508	1,033
	<u>1,663,166</u>	<u>1,326,604</u>

17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In a prior period, Ossen (Jiujiang) New Materials Co., Limited (a subsidiary of the Group) and Jiujiang Economic Development Zone of Ministry of Land and Resources entered into an agreement for Ossen (Jiujiang) New Materials Co., Limited's assets with total consideration of RMB51,725,000. Pursuant to the agreement, the assets transfer is expected to be completed within one year from the agreement signing date.

As at 30 June 2022, the assets transfer has been completed. The gain on disposal of asset classified as held for sale was recognised in profit and loss.

18. TRADE AND BILLS PAYABLES

	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
Trade payables	198,422	173,280
Bills payables	839,490	564,486
	<u>1,037,912</u>	<u>737,766</u>

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

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Within 3 months	34,465	52,453
Within 4 – 6 months	52,338	22,015
Within 7 – 12 months	77,874	60,773
More than 1 year but less than 2 years	28,934	32,477
More than 2 year but less than 3 years	2,440	2,579
More than 3 year but less than 4 years	355	875
More than 4 year but less than 5 years	93	102
Over 5 years	1,923	2,006
	<u>198,422</u>	<u>173,280</u>

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.

19. BANK AND OTHER BORROWINGS

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Current		
<i>Secured interest-bearing</i>		
– short-term bank loans	<u>1,770,122</u>	<u>1,921,219</u>
Non-current		
<i>Secured interest-bearing</i>		
– long-term bank and other loans	<u>282,296</u>	<u>97,487</u>
	<u>2,052,418</u>	<u>2,018,706</u>
Analysed based on scheduled repayment terms set out in the loan agreements, into:		
– Repayable on demand or within one year	1,770,122	1,921,219
– More than one year, but not exceeding two years	215,156	97,487
– More than two years, but no exceeding five years	67,140	–
	<u>2,052,418</u>	<u>2,018,706</u>

The bank borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 3.85% to 9.60% at 30 June 2022 (31 December 2021: from 3.05% to 9.00%).

The bank and other loans are secured by:

- (a) certain buildings, leasehold improvement and machineries included in property, plant and equipment (Note 13) and trade and retention receivables (Note 16);
- (b) personal guarantees executed by Dr. Tang Liang, a director of the Company, Mr. Hua Wei, a director of a subsidiary of the Group, and corporate guarantees given by independent third parties and the following subsidiaries of the Group: Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) New Materials Co. Limited, Shanghai Pujiang Cable Co., Limited, Shanghai New Materials Industry Technology Research Institute Co Ltd, Pujiang International Group Limited, Ossen Innovation Materials Co., Ltd, and Ossen Group Co., Limited.

20. SHARE CAPITAL

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

	Share capital	
	Number of shares	<i>RMB'000</i>
Issued and fully paid		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	811,044,000	7,138

21. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholder 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 Hong Kong Stock Exchange closing price of the Company’s shares on the date of the offer. The Share Option Scheme is deemed to be an equity-settled share based remuneration scheme for employees and directors. The Share Option Scheme will be valid and effective for a period of 10 years commencing from 3 June 2019 and 23 October 2019 after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The following share options were outstanding under the Share Option Scheme during the period:

	Unaudited			
	Six months ended 30 June			
Weighted average exercise price 2022 HK\$	Number 2022	Weighted average exercise price 2021 HK\$	Number 2021	
Outstanding at the beginning of the period	3.11	42,000,000	3.11	42,000,000
Share Option 2 lapsed on 17 February 2022	4.09	(10,000,000)	–	–
Share Option 1 lapsed on 26 April 2022	2.80	(2,520,000)	–	–
Outstanding at the end of the period	2.80	<u>29,480,000</u>	3.11	<u>42,000,000</u>

The exercise price of options outstanding at the end of the period is HK\$2.80 (30 June 2021: HK\$3.11) and their weighted average remaining contractual life was 7.5 years (30 June 2021: 8.5 years).

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

22. CAPITAL COMMITMENTS

There are no related party transactions for six months ended 30 June 2022 and 30 June 2021.

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2022	2021
	RMB’000	RMB’000
Commitments for the acquisition of property, plant and equipment	<u>28,468</u>	<u>166,653</u>

23. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors, for the six months ended 30 June 2022 was RMB1,576,000 (six months ended 30 June 2021: RMB874,000). During the six months ended 30 June 2022, the Group had repaid RMB31,981,000 to related companies of the Company (six months ended 30 June 2021: Nil). The amounts due to related companies are unsecured, interest free and repayable on demand. There are no other related party transactions for six months ended 30 June 2022 and 30 June 2021.

24. FINANCIAL RISK MANAGEMENT

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

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
Financial assets		
At amortised cost		
– Cash and cash equivalents	348,122	372,974
– Restricted bank deposits	295,132	234,648
– Trade and retention receivables	1,663,166	1,326,654
– Deposits and other receivables	316,960	327,520
	<u>2,623,380</u>	<u>2,261,796</u>
Financial liabilities		
At amortised cost		
– Trade and bills payables	1,037,912	737,766
– Other payables and accruals	146,464	98,766
– Bank and other borrowings	2,052,418	2,018,706
– Amounts due to related parties companies	72,019	104,000
	<u>3,308,813</u>	<u>2,959,238</u>
Other financial liabilities		
– Lease liabilities	27,553	41,464
	<u>3,336,366</u>	<u>3,000,702</u>

(a) Fair value

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (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, restricted bank deposits, trade and retention receivables, deposit and other receivables, trade and bills payables, other payables and accruals, amounts dues to related parties, bank borrowings and lease liabilities.

Due to their short term nature, the carrying value of cash and cash equivalents, restricted bank deposits, trade and retention receivables, deposit and other receivables, trade and bills payables, other payables and accruals, and amounts due to related parties approximates fair value.

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as 30 June 2022 and 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the Reporting Period, 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**”). During the Reporting Period, the total revenue of the Group amounted to RMB1,028.3 million, representing an increase of 8.0% as compared to the corresponding period in 2021.

The Group recorded profit of RMB75.7 million in the first half of 2022, representing a decrease of 22.7% as compared to the first half of 2021 partially due to the increase in expenses including impairment loss recognised on trade and retention receivables and finance costs. The gross profit margin for the Group decreased from 27.5% to 22.4% mainly due to the decrease in gross profit margin of the Prestressed Materials Business. The gross profit margin of the Cable Business remained stable.

Cable Business

During the Reporting Period, the Group continued to focus on the production and sale of bridge cables. During the Reporting Period, the Group completed 38 projects and was awarded 82 new projects for the Cable Business.

As of the date of this announcement, the Group has 134 on-going projects. With the on-going projects in hand, the Group remains confident in the development of Cable Business in the second half of 2022. Below sets out some of the on-going projects for the Cable Business:

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

Prestressed Materials Business

For the Prestressed Materials Business, the Group has focused on the sale of rare earth coated prestressed products, plain surface prestressed products and galvanised prestressed products with specific focus on galvanised prestressed products. In order to capture the growing demand for galvanised prestressed products, the Group has continued to expand its production facility for the Prestressed Materials Business which is expected to be completed by the second half of 2022.

In addition, during the Reporting Period, the Group has successfully obtained 14 new patented technologies for the application of bridge cables, including a cable substructure with high temperature resistance* (一種具有耐高溫防護性能的拉索下部結構) and 5 new patented technologies in relation to prestressed materials, including an automatic bundling device for prestressed steel strand* (預應力絞線自動打捆裝置). During the Reporting Period, the Group had applied for registration of 12 patents which are pending approval.

Awards and Recognitions

The Group received the following prizes and awards during the first half of 2022:

Awards	Granting Authority
2021 Major Tax Payer* (2021年度納稅大戶)	Cihu High-tech Industrial Development Zone Party Working Committee* (慈湖高新技術產業開發區黨工委) and Cihu High-tech Industrial Development Zone Management Committee* (慈湖高新技術產業開發區管委會)
2021 Top 20 Enterprises in Industrial Economy* (2021年度工業經濟二十強企業)	Cihu High-tech Industrial Development Zone Party Working Committee* (慈湖高新技術產業開發區黨工委) and Cihu High-tech Industrial Development Zone Management Committee* (慈湖高新技術產業開發區管委會)
Winner of the “Ankang Cup” Competition 2021* (2021年度「安康杯」競賽優勝單位)	Cihu High-tech Zone Federation of Trade Unions* (慈湖高新區總工會)

Other Developments

The outbreak of the COVID-19 pandemic continued to cause delay to the progress of many bridge construction projects during the Reporting Period. While construction projects have gradually been resumed, the revenue of the Company was affected by the lockdown of Shanghai, the PRC from January 2022 to June 2022, particularly during the period from March 2022 to May 2022. The construction of our research and development centre in Zhejiang Province, the PRC and production facility in Jiujiang, Jiangxi Province, the PRC has also been further delayed.

In addition, the Group recognises the importance of environmental, social and governance (“ESG”) and have established a climate and sustainable development committee to oversee the implementation of the ESG policies of the Group. Focusing on scientific and technological innovation, the Group is committed to promoting green and low-carbon research and development. It seeks to shoulder social responsibilities and promote a win-win situation for corporate and social development.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue increased by 8.0% from RMB952.2 million in the first half of 2021 to RMB1,028.3 million in the first half of 2022, mainly attributable to the increase in revenue from both the Cable Business and the Prestressed Materials Business.

Revenue generated from the Cable Business increased by 0.5% from RMB512.4 million in the first half of 2021 to RMB514.9 million in the first half of 2022, mainly attributable to the increase in sales of stay cables.

Revenue generated from the Prestressed Materials Business also increased by 16.8% from RMB439.7 million in the first half of 2021 to RMB513.4 million in the first half of 2022, mainly attributable to the increase in sales of galvanised steel wires and rare earth coated prestressed products.

Gross profit and gross profit margin

Gross profit decreased by 12.0% from RMB261.7 million in the first half of 2021 to RMB230.2 million in the first half of 2022.

Overall gross profit margin decreased from 27.5% in the first half of 2021 to 22.4% in the first half of 2022, which was primarily due to the decrease in gross profit margin of the Prestressed Materials Business. Despite a slight increase in revenue generated from the Cable Business, the gross profit margin for the Cable Business remained stable with a slight drop from 34.7% in the first half of 2021 to 34.4% in the first half of 2021 due to a slight increase in cost of sales. The gross profit margin for the Prestressed Materials Business decreased from 19.0% in the first half of 2021 to 10.4% in the first half of 2022 due to the increase in cost of sales as a result of ongoing relocation of the production facilities that certain production processes had to be temporarily subcontracted leading to a temporary increase in cost of sales.

Impairment loss (recognised)/reversed on trade and retention receivables

Additional provision for impairment loss recognised on trade and retention receivables amounted to RMB32.4 million in the first half of 2022, compared to an impairment loss reversed on trade and retention receivables of RMB3.5 million in the first half of 2021. The additional provision is primarily due to the prolonged ageing profiles of certain trade and retention receivables items caused by the COVID-19 pandemic and the Group did not have any realised bad debts during the Reporting Period.

Selling and distribution cost

Selling and distribution costs of the Group decreased significantly by 49.5% from RMB21.0 million in the first half of 2021 to RMB10.6 million in the first half of 2022. The decrease in selling and distribution costs was mainly attributable to the decrease in freight and travel expenses for overseas projects.

General and administrative expenses

General and administrative expenses of the Group decreased by 40.9% from RMB35.7 million in the first half of 2021 to RMB21.1 million in the first half of 2022. The decrease was mainly attributable to the decrease in office expenses during the COVID-19 pandemic, and the decrease in professional fees incurred. Also, the general and administrative expenses were higher in the first half of 2021 compared to that in the Reporting Period as additional expenses were incurred in relation to the privatisation of Ossen Innovation Co., Ltd. in the first half of 2021.

Research and development expenses

Research and development expenses decreased by 5.7% from RMB41.9 million in the first half of 2021 to RMB39.5 million in the Reporting Period. This decrease was primarily attributable to the reduction in research activities due to the COVID-19 pandemic and the relocation of the production facility in Jiujiang, Jiangxi Province, the PRC.

Finance costs

Finance costs increased significantly by 53.7% from RMB50.1 million in the first half of 2021 to RMB77.0 million in the first half of 2022. This increase was primarily attributable to the increase in bank borrowings and bills payables.

Share of loss of associates

Share of loss of associates increased significantly by 322.2% from a loss of RMB1.8 million in the first half of 2021 to a loss of RMB7.6 million in the first half of 2022 mainly due to higher losses incurred by Shanghai International Superconducting Technology Co., Ltd. (上海國際超導科技有限公司) (“**Shanghai Superconducting**”). Shanghai Superconducting is still in early commercialisation stage and the COVID-19 pandemic caused further disruption to its operations.

Income tax expenses

Income tax expenses decreased significantly by 70.3% from RMB23.2 million in the first half of 2021 to RMB6.9 million in the first half of 2022. This decrease was mainly due to the drop in profit before income tax expenses.

Profit for the Reporting Period

As a result of the foregoing, the Group recorded a net profit of RMB75.7 million in the first half of 2022, representing a decrease of 22.7% as compared to RMB97.9 million in the first half of 2021.

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. During the Reporting Period, the Group mainly funded the cash requirements through a combination of bank borrowings, 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, Jiangxi Province, the PRC and the research and development centre for Cable Business) as disclosed in the section headed "Use of Proceeds", the Group will continue to fund its cash requirements using a combination of banking credit facilities, net cash flows from operating activities and other financial instruments which will be available for drawdown within a short period of time.

As at 30 June 2022, the Group recorded net current assets amounting to RMB1,807.8 million (31 December 2021: RMB1,724.0 million). As at 30 June 2022, the cash and cash equivalents of the Group amounted to RMB348.1 million (31 December 2021: RMB373.0 million).

Bank and other borrowings

As at 30 June 2022, the outstanding bank and other borrowings of the Group were RMB2,052.4 million (31 December 2021: RMB2,018.7 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 30 June 2022, was 1.56 (31 December 2021: 1.57). The current ratio remained stable with a slight drop due to the concurrent increase in trade and retention receivables and restricted bank deposits and the increase in trade and bills payables, contract liabilities and other payables and accruals.

Charge on assets

As at 30 June 2022, bank and other borrowings of approximately RMB2,052.4 million (31 December 2021: RMB2,018.7 million) were secured by pledge of the Group's certain assets including certain buildings, leasehold improvement and machineries included in property, plant and equipment, trade and retention receivables, personal guarantees given by the director(s) of the Company and certain subsidiary of the Company and/or corporate guarantees from independent third parties and certain subsidiary of the Company.

Contingent liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities.

Capital structure

As at 30 June 2022, the total share capital of the Company was RMB7,138,000, divided into 811,044,000 shares of the Company of nominal value of HK\$0.01 each.

USE OF PROCEEDS

The aggregate net proceeds raised by the Company from the Listing were RMB451.9 million. The proceeds from the Listing were used and are proposed to be used according to the intentions previously disclosed by the Company. The following table set forth the Group's intended timetable for use of proceeds from the Listing as of 30 June 2022.

Business objectives as stated in the Prospectus	Percentage of proceeds as stated in the Prospectus ^{Note 1}	Use of proceeds adjusted according to the actual net proceeds from the Listing	Unutilised amount as of 31 December 2021 (RMB million)	Utilised amount for the six months ended 30 June 2022	Utilised amount as of 30 June 2022	Expected timeline of full utilisation of the remaining balance
Repayment of banking facilities ^{Note 2}	27.2%	122.8	–	–	–	–
Acquisition of business ^{Note 3}	24.2%	109.4	109.4	–	109.4	2022 – 2023
Expansion of production facility for Prestressed Materials Business ^{Note 4}	21.1%	95.5	23.2	15.6	7.6	Second half of 2022
Expansion of research and development centre for Cable Business ^{Note 5}	13.4%	60.4	20.6	7.8	12.8	Second half of 2022
Working capital	9.6%	43.4	–	–	–	–
Purchase of additional production equipment and environmental protection facilities ^{Note 6}	4.5%	20.4	9.5	6.2	3.3	Second half of 2022
Total	100%	451.9	162.7	29.6	133.1	

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 announcement, the full amount of RMB122.8 million has been applied.
3. As of the date of this announcement, the Company has yet to identify an acquisition target. Due to the COVID-19 pandemic situation in the PRC and in particular, a series of prevention measures adopted in various areas of the PRC to prevent the spread of COVID-19, the business performance of potential acquisition targets have been further affected. As a result, the expected timeline of full utilisation of the remaining balance for acquisition of business is expected to delay further from the second half of 2022 to the period between 2022 to 2023. The Company will continue to look for acquisition target(s) that would be beneficial to the Group and will comply in full with all applicable Listing Rules and requirements in due course when any acquisition is undertaken.
4. As of the date of this announcement, the production facility in JiuJiang, Jiangxi Province, the PRC is under construction. The schedule was delayed due to the COVID-19 pandemic situation in the PRC.
5. As of the date of this announcement, the research and development centre is under construction. The schedule was delayed due to the COVID-19 pandemic situation in the PRC.
6. As at the date of this announcement, 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 the PRC.

INTERIM DIVIDEND

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

OUTLOOK AND FUTURE PROSPECTS

As consumption in the PRC continues to weaken due to COVID-19 pandemic, investment in infrastructure development such as transportation, water, energy and technology has provided important support for economic growth. The PRC government has developed strategic plans to strengthen and accelerate infrastructure development in the PRC. As discussed during the 11th meeting of the Central Financial and Economic Commission* (中央財經委員會), the PRC government will focus on accelerating infrastructure development by increasing investment, diversifying long-term financing and facilitating innovation and research and development. It was reported that provincial governments in the PRC have issued special treasury bonds with an aim to facilitate the development of transportation infrastructure, energy, ecological environmental protection, municipal and industrial park infrastructure. It is expected that proceeds from the issuance of special treasury bonds by the provincial governments of the PRC will provide source of funding for development of infrastructure in the PRC.

In the second half of 2022, the Group intends to leverage the PRC government's initiatives and the Group's advanced technologies and know-how in high-technology metallic materials and applications, to actively explore and seize opportunities in the domestic and overseas infrastructure markets and to enhance its market leadership. The Group will continue to utilise and enhance its upstream and downstream business capabilities within the Group and strengthen the connection between its galvanised prestressed products and bridge cables. The Group will also continue to explore opportunities for merger and acquisitions to increase its market share and pricing power.

Looking ahead, the Group will continue to solicit and understand the views of its various stakeholders to manage their expectations and address their concerns. The Group will also take the initiative to strengthen its management capabilities in respect of ESG issues, seek to balance the interest of its various stakeholders, shoulder social responsibilities and contribute to the sustainable development of society.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2022, the total number of employees in the Group was 427 (31 December 2021: 444). For the six months ended 30 June 2022, the staff cost recognised as expenses of the Group amounted to RMB27.4 million (30 June 2021: RMB27.1 million). The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

During the Reporting Period, 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.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the future plans set out in the section headed “Use of Proceeds” above, the Company has no plan for any material investments or additions of capital assets as at the date of this announcement.

EVENTS SUBSEQUENT TO 30 JUNE 2022

On 29 July 2022, 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\$50,000,000 (the “**Loan Facility**”). The Loan Facility will be made available to the Company for a term of 24 months after the first utilisation date and can be extended for a further 12 months subject to the terms of the Facility Agreement. The Loan Facility to be obtained under the Facility Agreement shall be used for the Company’s general working capital and investment purposes.

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 Limited (“**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 announcement.

Please refer to the announcement of the Company dated 29 July 2022 for details.

Save as disclosed above, there was no other significant events occurred subsequent to 30 June 2022 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2022 have not been audited but have been reviewed by the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s unaudited condensed consolidated interim results and interim report for the six months ended 30 June 2022 and the accounting principles and practices adopted by the Company.

COMPLIANCE WITH THE CG CODE

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in part 2 of Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code during the six months ended 30 June 2022 and up to the date of this announcement.

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 of the Listing Rules as the code of conduct regarding securities transactions of the Company by the directors of the Company and the relevant employees of the Company. Specific enquiries have been made to all directors of the Company and all of them have confirmed that they have complied with the Model Code during the six months ended 30 June 2022.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.pji-group.com) and the Hong Kong Stock Exchange (<http://www.hkexnews.com.hk>), respectively. The interim report of the Company for the six months ended 30 June 2022 containing all the information as required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 24 August 2022

As at the date of this announcement, the executive directors of the Company are Dr. Tang Liang, Mr. Zhou Xufeng, Mr. Ni Xiaofeng and Mr. Hua Wei, and the independent non-executive directors of the Company are Mr. Zhang Bihong, Ms. Pan Yingli and Mr. Chen Dewei.

* *For identification purpose only*