浦江國際集團

PUJIANG INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2060)

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(CEO)*
Mr. Ni Xiaofeng
Mr. Hua Wei

Independent Non-Executive Directors

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

SENIOR MANAGEMENT

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

COMPANY SECRETARY

Ms. Lai Siu Kuen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai 200120
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

COMPANY'S WEBSITE

www.pji-group.com

CAYMAN SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Cayman Office
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

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

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

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

AUDITOR

BDO Limited
Certified Public Accountants and
Registered Public Interest Entity Auditor

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 its subsidiaries (collectively, the "Group"), the annual report of the Group for the financial year ended 31 December 2022.

Looking back 2022, despite the impact of the volatile COVID-19 epidemic and increasing inflation expectations, we are in an industry that is recovering steadily. As a leading enterprise in the bridge cables and prestressed materials manufacturing industry, under the impact of the COVID-19 epidemic, the revenue of the Group slightly decreased by 0.2% compared with 2021, amounting to RMB2,152 million, which reflected the Group's good operating capabilities and leading edge in the industry.

For the Cable Business, the Group currently has over 100 on-going projects, including major bridge projects such as Shenzhen-Zhongshan Link – Lingding Yang Bridge and Fulong Grand Bridge.

For the Prestressed Materials Business, the Group has proactively expanded its production capacity of galvanised prestressed products with higher technological requirements and the production facility is expected to be completed by the end of April 2023. In 2022, the Group continued to enhance its upstream and downstream business capabilities within the Group and strengthen the connection between its galvanised prestressed products and bridge cables, so as to improve the production and management effectiveness and thus ensure further increase in revenue.

In 2021, Shanghai International Superconductor Technology Co. Ltd. (上海國際超導科技有限公司) ("Shanghai Superconductor"), a 40%-owned associate of the Group, has successfully completed the casting and power transmission through the grid for the world's first km-grade high-temperature superconducting cable. Since the aforesaid project was put into operation, it has been running stably for more than a year. It has experienced the test of low temperature in winter and high temperature in summer, achieving "zero fault operation, fully intelligent maintenance and energy saving beyond expectations" and excellent technical indicators. Focusing on various aspects of project implementation, the core team has carried out a series of research in material research, equipment manufacturing, engineering construction, etc., achieved a series of major achievements and breakthroughs, solved many problems in the implementation of the project, and formed a replicable superconducting cable engineering experience. While continuously promoting the industrialisation of superconducting power transmission, Shanghai Superconductor has made important progress in the fields of MRI superconducting magnets, compact controllable nuclear fusion superconducting magnets, and superconducting integrated energy pipelines. Shanghai Superconductor has completed the development of the 1.5T and 3.0T superconducting magnets by the end of 2022 and has achieved sales.

In 2022, Shanghai Push Medical Device Technology Co. Limited ("Push Medical"), a 23%-owned associate of the Group, has obtained three new registration certificates in addition to the certified core products of left atrial appendage occluder and congenital heart occlude and it is expected that new products will soon generate revenue contribution. At the same time, Push Medical is advancing the application process of its listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

The Group received a "B" score in the category of climate change in the 2022 scoring issued by CDP Worldwide ("CDP"). CDP is a not-for-profit charity based in London that operates a global disclosure system and a CDP score is a snapshot of a company's environmental disclosure and performance comparing with other companies. Responding companies were assessed and ranked across four consecutive levels from A to D-. In 2022, out of approximately 2,700 companies in the PRC participated in the assessment, only four companies were awarded the highest score of A-, while the Group's "B" score awarded placed us among the Top 40 companies evaluated in the PRC in the same category alongside with other leading telecommunication and technology conglomerates in the PRC. Such rating shows that the Company has put an emphasis on the environmental impacts of its business and ensure good environmental management.

The Group recognizes the importance of Environmental, Social and Governance ("ESG") and sustainable development. The Group has allocated substantial resources to integrate ESG standards and regulations and long-term sustainable development principles into different aspects of production and operation. Over the years, the Group has been focusing on scientific and technological innovation and committed to promoting green and low-carbon research and development. For example, the Group has developed an ultra-high-strength cable of 2,060 MPa, which can reduce steel consumption by about 12%, thereby reducing carbon emissions. The Group is also committed to the research and development of high-temperature superconducting cables, which can reduce power loss during transmission and carbon emissions when installed underground, and are widely used in the construction of large-scale underground utility corridors.

The Board and the management are full of confidence in the Company's future development, and we firmly believe that the PRC government will introduce more stimulus policies to stabilize the economy and growth. The Group will actively explore and grasp the huge opportunities in the infrastructure construction market, accelerate the improvement of innovation capabilities, attract innovative talents, integrate innovation resources, and strive to create sustained and stable investment returns for investors.

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

Dr. Tang Liang
Chairman and Executive Director
Shanghai, 29 March 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	Change
	RMB'000	RMB'000	(%)
Revenue	**2,151,767**	2,156,263	(0.2)
Gross profit	**566,558**	573,452	(1.2)
Profit for the year	**181,788**	215,534	(15.7)
Net profit attributable to owners of the Company	**171,304**	205,017	(16.4)
	RMB	RMB	
Diluted earnings per share	**0.2112**	0.2519	(16.2)

FIVE YEARS FINANCIAL SUMMARY

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,151,767**	2,156,263	1,947,102	1,812,415	1,383,335
Gross profit	**566,558**	573,452	517,842	456,098	326,501
Profit for the year	**181,788**	215,534	187,370	134,350	148,598
Assets					
Non-current assets	**632,809**	556,180	542,415	367,350	144,804
Current assets	**4,962,843**	4,764,663	4,053,215	3,357,949	2,376,921
Total assets	**5,595,652**	5,320,843	4,595,630	3,725,299	2,521,725
Liabilities					
Non-current liabilities	**95,693**	70,759	607,817	44,212	–
Current liabilities	**3,169,342**	3,080,656	1,904,403	1,777,559	1,276,460
Total liabilities	**3,265,035**	3,151,415	2,512,220	1,821,771	1,276,460
Total equity	**2,330,617**	2,169,428	2,083,410	1,903,528	1,245,265

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 China and one of the leading prestressed materials manufacturers in the PRC.

For the year ended 31 December 2022 (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").

For the Reporting Period, the total revenue of the Group amounted to RMB2,151.8 million, representing a slight decrease of 0.2% as compared to the year ended 31 December 2021. The Group recorded profit for the year of RMB181.8 million for the Reporting Period, representing a decrease of 15.7% as compared to the year ended 31 December 2021. The gross profit margin for the Group slightly decreased from 26.6% for the year ended 31 December 2021 to 26.3% for the Reporting Period.

Cable Business

During the Reporting Period, the Group continued to engage in the production and sale of bridge cables. During the year ended 31 December 2022, the Group was awarded 145 new projects for the Cable Business. In 2022, the Group has completed 100 projects for the Cable Business.

As of the date of this annual report, the Group has 135 on-going projects for the Cable Business. With the on-going projects for the Cable Business in hand, the Group remains confident in the development of Cable Business in 2023.

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 Jinzhou Grand Bridge* (貴州金州大橋)
- Guangdong Fulong Grand Bridge* (廣東富龍特大橋)
- Husuhu Railway Qingpu Grand Bridge* (滬蘇湖鐵路青浦特大橋)
- Guangdong Hongqimen Grand Bridge* (廣東洪齊門大橋)
- Guizhou Zangkejiang Grand Bridge* (貴州牂牁江特大橋)

BUSINESS REVIEW (Continued)

Cable Business (Continued)

Husuhu Railway Qingpu Grand Bridge

Guizhou Jinzhou Grand Bridge
Guizhou Zangkejiang Grand Bridge

Guangdong Fulong Grand Bridge
Guangdong Hongqimen Grand Bridge
Shenzhen-Zhongshan Link – Lingding Yang Bridge

Photos of on-going projects for the Cable Business

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

Also, during the Reporting Period, the Group has developed several new patented technologies for the application of bridge cables, including an intelligent monitoring system for monitoring the safety of stay cables for bridges based on big data* (一種基於大數據的橋梁斜拉索安全性智能監測系統) and an inclined cable guide bar installation structure* (一種斜拉索導向條安裝結構). During the year 2022, the Group obtained 16 new registered patents and as of 31 December 2022, it had applied for the registration of 41 patents which are pending approval.

BUSINESS REVIEW (Continued)

Prestressed Materials Business

For the Prestressed Materials Business, the Group has focused on the sales of rare earth coated prestressed products, plain surface prestressed products and galvanised prestressed products with specific focus on galvanised prestressed products. The Group has continued to expand its production capacity to capture the growing demand of galvanised prestressed products. The construction and the installation and debugging of equipment of the new production capacity in Jiujiang, the PRC for the Prestressed Materials Business is expected to be completed by the end of April 2023.

In addition, during the Reporting Period, the Group has developed a number of new patented technologies in relation to prestressed materials, including a method of producing hot-dip galvanised steel wire for bridge cables* (一種橋梁纜索用熱鍍鋅鋼絲的生產方法). During the Reporting Period, the Group obtained 13 new registered patents and as of 31 December 2022, it had applied for registration of 6 patents which are pending approval.

BUSINESS REVIEW (Continued)

Awards and Recognitions

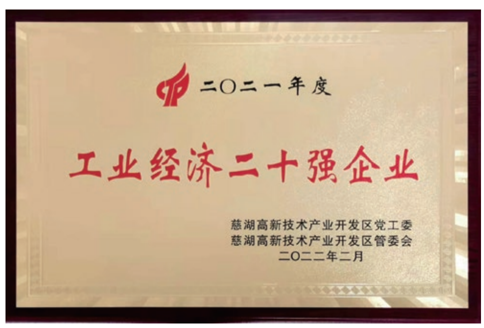
The Group has received the following prizes and awards during the Reporting Period:

Prizes and Awards	Granting Authority
The First Prize of Science and Technology Award* (科學技術獎一等獎)	China Highway & Transportation Society* (中國公路學會)
The Grand Prize of Science and Technology Award* (科學技術獎特等獎)	Hubei Provincial Highway & Transportation Society* (湖北省公路學會)
2022 "Specialized, refined and new" small giant enterprises* (2022「專精特新」小巨人企業)	Ministry of Industry and Information Technology of the People's Republic of China* (中華人民共和國工業和信息化部)
2022 High-Tech Enterprise of Jiangxi Province* (2022年江西省高新技術企業)	National High-tech Enterprise Certification Management Leading Group Office* (全國高新技術企業認定管理工作領導小組辦公室)
2022 Jiangxi Province "specialized, refined and new" small and medium-sized enterprises* (2022年江西省「專精特新」中小企業)	Department of Industry and Information Technology of Jiangxi Province* (江西省工業和資訊化廳)
2021 Jiangxi Province Contractabiding and Credit-worthy Unit* (2021年江西省守合同重信用單位)	Jiangxi Provincial Administration of Market Supervision* (江西省市場監督管理局)
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)

BUSINESS REVIEW (Continued)

Awards and Recognitions (Continued)

Prizes and Awards	Granting Authority
Anhui Provincial Water-saving Enterprise* (安徽省級節水型企業)	Department of Housing and Urban-Rural Development of Anhui Province* (安徽省住房和城鄉建設廳)
2022 Ma'anshan City Labour Security Integrity A-level Unit* (2022年馬鞍山市勞動保障誠信A級單位)	Ma'anshan Human Resources and Social Security Bureau* (馬鞍山市人力資源和社會保障局)



Selected photos of awards obtained by the Company

* *For identification purpose only*

BUSINESS REVIEW (Continued)

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 lockdown of Shanghai, the PRC from March to June 2022 and the sudden relaxation of the pandemic control policy in December 2022 have severely affected the Company's operation and profit. The construction of our research and development centre in Zhejiang Province, the PRC, the production facility in Jiujiang, Jiangxi Province, the PRC and the bridge construction projects in the PRC have also been further delayed.

Shanghai Superconductor, a leading international superconducting player, has been deeply involved in this industry for more than ten years. In 2022, the world's first 1.2km high-temperature superconducting cable developed and manufactured by Shanghai Superconductor has provided continuous and stable power supply for nearly 46,000 users in the downtown area of Shanghai for nearly 500 days. At the same time, the Group has successfully realised the research and development, production and sales of 1.5T and 3.0T superconducting magnets in 2022.

In 2022, Push Medical, has obtained three new registration certificates in addition to the certified core products of left atrial appendage occluder and congenital heart occlude and it is expected that new products will soon generate revenue contribution. At the same time, Push Medical is advancing the application process of its listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange.

The Group values the importance of ESG, and have made progress in such respect under the supervision of the climate and sustainable development committee. In 2022, Group received a "B" score in the category of climate change in the 2022 scoring issued by CDP Worldwide ("CDP"), making us one of the Top 40 companies evaluated in the PRC in the same category alongside other leading technology conglomerates in the PRC, and only 4 companies were awarded the highest score of A- in the PRC. CDP is a not-for-profit charity based in London that operates a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts and there were approximately 2,700 PRC companies participating in the 2022 assessment.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

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

	2022		2021	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Cable Business:				
Suspension cable projects	797,224	37%	588,559	27%
Stay cable projects	495,033	23%	610,582	29%
Others – installation projects	9,152	1%	6,107	0%
Others – sale of scrap materials	3,103	0%	3,162	0%
	1,304,512	61%	1,208,410	56%
Prestressed Materials Business:				
Plain surface prestressed products	9,868	1%	26,621	1%
Rare earth coated prestressed products	655,408	30%	708,045	33%
Galvanised prestressed products	170,621	7%	198,479	9%
Other steel materials	11,358	1%	14,708	1%
	847,255	39%	947,853	44%
Total	2,151,767	100%	2,156,263	100%

Revenue slightly decreased by 0.2% from RMB2,156.3 million for the year ended 31 December 2021 to RMB2,151.8 million for the Reporting Period, mainly attributable to the decrease in revenue from the Prestressed Material Business due to the relocation of the production facility in Jiujiang, the PRC and the COVID-19 pandemic.

Revenue generated from the Cable Business increased by 8.0% from RMB1,208.4 million for the year ended 31 December 2021 to RMB1,304.5 million for the Reporting Period, mainly attributable to the increase in the number of delivered projects in 2022. Revenue generated from the Prestressed Materials Business decreased by 10.6% from RMB947.9 million for the year ended 31 December 2021 to RMB847.3 million for the Reporting Period, mainly attributable to the relocation of the production facility in Jiujiang, the PRC and the COVID-19 pandemic.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Gross profit and gross profit margin

Gross profit slightly decreased by 1.2% from RMB573.5 million for the year ended 31 December 2021 to RMB566.6 million for the Reporting Period.

Overall gross profit margin slightly decreased from 26.6% for the year ended 31 December 2021 to 26.3% for the Reporting Period. The gross profit margin for the Cable Business slightly decreased from 34.6% for the year ended 31 December 2021 to 33.2% for the year ended 31 December 2022 due to the slight decrease in the gross profit of cable projects delivered in 2022, which is within a normal range of fluctuation. The gross profit margin for the Prestressed Materials Business slightly decreased from 16.4% for the year ended 31 December 2021 to 15.8% for the year ended 31 December 2022 mainly due to the slight decrease in the gross profit of prestressed materials projects delivered in 2022, which is within a normal range of fluctuation.

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

Impairment loss recognised on trade and retention receivables amounted to RMB23.7 million during the Reporting Period, compared to the reversal of impairment loss on trade and retention receivables of RMB1.1 million in 2021. The impairment loss is primarily due to the longer aging of trade and retention receivables caused by the COVID-19 pandemic. However, there are no bad debt accounts occurred prior to and during the Reporting Period.

Selling and distribution costs

Selling and distribution costs of the Group decreased by 27.6% from RMB40.1 million for the year ended 31 December 2021 to RMB29.0 million for the Reporting Period. The decrease in selling and distribution expenses was mainly attributable to the decrease in overseas delivery in Cable Business in 2022, while there was a high volume of cable delivery for the 1915 Canakkale Bridge project in Turkey in 2021.

General and administrative expenses

General and administrative expenses of the Group remained relatively stable at RMB79.3 million for the Reporting Period, which is maintained at similar level for the year ended 31 December 2021. The stability in general and administrative expenses was mainly attributable to the net effect of the increase in depreciation of right-of-use assets and the decrease in legal and professional fees.

Research and development expenses

Research and development expenses slightly decreased by 1.1% from RMB107.6 million for the year ended 31 December 2021 to RMB106.3 million for the Reporting Period, which is within a normal range of fluctuation.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Finance costs

Finance costs increased by 33.3% from RMB106.4 million for the year ended 31 December 2021 to RMB141.8 million for the Reporting Period. This increase was primarily attributable to the finance costs incurred due to the increase in bank borrowings and the one-off finance costs for the payment of the syndicated loan from international financial institutions.

Share of losses of associates

Share of losses of associates increased from RMB10.1 million for the year ended 31 December 2021 to RMB13.9 million for the Reporting Period mainly due to the losses of Shanghai Superconductor, which is currently in the early stage of commercialisation. It is expected that, after the COVID-19 pandemic and the stable operation of the 1.2km superconducting project for one year, the business of Shanghai Superconductor will realise greater growth.

Income tax expenses

Income tax expenses decreased by 3.7% from RMB38.3 million for the year ended 31 December 2021 to RMB36.9 million for the Reporting Period. The effective tax rate increased from 15.1% for the year ended 31 December 2021 to 16.9% for the Reporting Period. This increase was primarily attributable to an increase of non-deductible expenses during the Reporting Period.

Profit for the year

As a result of the foregoing, the Group recorded a net profit of RMB181.8 million for the Reporting Period, representing a decrease of 15.7% as compared to RMB215.5 million for the year ended 31 December 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. In 2022, the Group mainly funded the cash requirements through a combination of bank borrowings, cash and cash equivalents 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, and other financial instruments which will be available for drawdown within a short period of time.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Working Capital (Continued)

As at 31 December 2022, the Group recorded net current assets amounting to RMB1,793.5 million (31 December 2021: RMB1,684.0 million). As at 31 December 2022, the cash and cash equivalents of the Group amounted to RMB554.1 million (31 December 2021: RMB373.0 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 31 December 2022, was 1.57 (31 December 2021: 1.55). The increase in the current ratio was primarily due to the increase in trade and retention receivables.

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. 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 Reporting Period, the net cash generated from operating activities was RMB414.7 million (excluding income tax paid of RMB36.3 million), while profit before income tax was RMB218.6 million. Changes in working capital consisted mainly of (i) an decrease of RMB220.9 million in prepayments, deposits and other receivables due to that the Cable Business was affected by the COVID-19 pandemic, and the advance payment was reduced; (ii) an increase of RMB239.3 million in trade and retention receivables for sales in relation to the delayed settlement of bridge cable projects in 2022, caused by slower construction progress of certain projects due to COVID restrictions during the year; and (iii) an decrease of RMB40.8 million in inventories for the production of upcoming bridge projects; due to that the Prestressed Materials Business was affected by the COVID-19 pandemic, and no more inventories were prepared after the delivery and (iv) a decrease of RMB104 million in amounts due to related companies.

Cash flows from investing activities

For the Reporting Period, net cash used in investing activities was RMB195.9 million. This consisted mainly of (i) an increase of RMB33.8 million in restricted bank deposits, and (ii) RMB165.2 million used in purchases of property, plant and equipment.

Cash flows from financing activities

For the Reporting Period, net cash used in financing activities was RMB3.8 million. This consisted mainly of net bank borrowings of RMB27.1 million mainly used for general working capital and business expansion; and payment of lease liabilities of RMB30.3 million.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Bank and other borrowings

As at 31 December 2022, the outstanding bank and other borrowings of the Group was RMB2,211.9 million (31 December 2021: RMB2,018.7 million). The increase in bank and other borrowings was due to operational needs of the Group. The debt to asset ratio (calculated by dividing total debt by total assets) as at 31 December 2022 was 56.4% (31 December 2021: 56.7%).

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 was to be made available to the Company, for the Company's general working capital and investment purposes, 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.

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

On 24 October 2022, with the approval of the Board, the Company, together with Ossen Group Co. Limited and Dr. Tang (together as "guarantors"), enter into a maximum value guarantee contract (最高額保證合同) with Agricultural Bank of China Shanghai Branch ("ABC") in which the guarantors provide a guarantee with a maximum value of RMB675 million to Shanghai Pujiang Cable Co., Limited ("SPCC"), a subsidiary of the Company, as security for credit extended from ABC to SPCC.

Please refer to Note 41 of the consolidated financial statement for the gearing ratio of the Group as at 31 December 2022 and Note 29 of the consolidated financial statements for the extent to which the borrowings are at fixed interest rates and the maturity profile of the borrowings.

Charge on assets

As at 31 December 2022, the bank borrowings of RMB2,211.9 million (31 December 2021: RMB2,018.7 million) were secured by pledge of the Group's assets including certain land and buildings, certain trade and retention receivables, personal guarantees given by two executive directors of the Company and corporate guarantees from independent third parties, ultimate holding company and certain subsidiaries.

Contingent liabilities

As at 31 December 2022, the Group did not have any significant contingent liabilities.

Capital structure

As at 31 December 2022, the total share capital of the Company was RMB7,138,000, divided into 811,044,000 Shares of nominal value of HK$0.01 each.

USE OF PROCEEDS

The aggregate net proceeds raised by the Company from the Listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") was RMB451.9 million. The proceeds from the Listing were used and are proposed to be used according to the intentions previously disclosed by the Company. The following table set forth the Group's intended timetable for use of proceeds from listing as of 31 December 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 (RMB million)	Unutilised amount as of 31 December 2021 (RMB million)	Utilised amount for the year ended 31 December 2022 (RMB million)	Unutilised amount as of 31 December 2022 (RMB million)	Expected timeline of full utilisation of the remaining balance
Repayment of banking facilities Note 2	27.2%	122.8	–	–	–	–
Acquisition of business Note 3	24.2%	109.4	109.4	–	109.4	End of 2023
Expansion of production facility for Prestressed Materials Business Note 4	21.1%	95.5	23.2	23.2	–	–
Expansion of research and development centre for Cable Business Note 5	13.4%	60.4	20.6	12.2	8.4	First half of 2023
Working capital	9.6%	43.4	–	–	–	–
Purchase of additional production equipment and environmental protection facilities Note 6	4.5%	20.4	9.5	9.5	–	–
Total	100%	451.9	162. 7	44. 9	117. 8	

USE OF PROCEEDS (Continued)

Notes:

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

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

3. As of the date of this annual report, the Company has yet to identify an acquisition target. Due to the continuous 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 the 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 be further delayed to the end of 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 annual report, the Company has completed the land acquisition for the new production facility in Jiujiang, Jiangxi Province and the full amount of RMB95.5 million has been applied. It is expected that the construction work and the installation and debugging of equipment of the production facility will be completed by the end of April 2023.

5. As of the date of this annual report, the Company has commenced the construction of the research and development centre, which is expected to be completed in the first half of 2023 due to the schedule delay caused by the COVID-19 pandemic situation in China.

6. During the Reporting Period, the unutilised amount of RMB9.5 million has been applied for procurement of production equipment and environmental protection equipment. As at the date of this annual report, the full amount of RMB20.4 million has been applied.

OUTLOOK AND RECENT DEVELOPMENTS

In view of the strong demand for stimulating economic recovery after the COVID-19 pandemic, investments in infrastructure development such as transportation, water, energy and technology are booming. The PRC government has developed strategic plans to strengthen and accelerate infrastructure development in the PRC as a means to stimulate economic recovery. As discussed during the Fourteenth National People's Congress of the PRC in March 2023, China will adopt a proactive fiscal policy to allow the deficit ratio to increase to 3% and local government special treasury bonds to increase to RMB3.8 trillion. According to the government work report, the implementation of major infrastructure projects during the "14th Five-Year Plan" period will be accelerated, urban renewal actions will be implemented, and more private capital will be encouraged to participate in the construction of major national projects. The scale of new treasury bonds issued by local governments of 2023 has increased and provincial governments in the PRC have proactively issued special treasury bonds with an aim to facilitate the development of transportation infrastructure, energy, ecological environmental protection, municipal and industrial park infrastructure in early 2023. It is expected that the favourable policy together with the active local government special treasury bonds issuance will contribute to the development of infrastructure in the PRC.

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 to be prepared to advance more upcoming major infrastructure projects in the PRC and abroad. At present, Shanghai Superconductor is taking the opportunity of the "14th Five-Year Plan" strategic cooperation framework agreement signed by the Shanghai Municipal Government and the State Grid Corporation of China to accelerate the implementation of the 5km superconducting cable transmission project in Shanghai, which is expected to completely solve the large-capacity problem in central urban areas and many problems in centralized power transmission. At the same time, the Group will cooperate with other shareholders of Shanghai Superconductor, Shenergy (Group) Co., Ltd. and State Grid Power Company, etc., to promote the application of superconductors in power transmission, nuclear magnetic resonance and controllable nuclear fusion and other products and technologies. The Group will also pay attention to any possible opportunities for merger and acquisitions to increase its market status and pricing power when appropriate.

Looking ahead, the Group will leverage the PRC government's economic stimulus and the Group's technologies and know-how in high-technology metallic materials and applications to actively explore opportunities in the domestic and overseas infrastructure markets. Furthermore, the Group will also take the initiative to strengthen its management capabilities in respect of ESG issues through scientific and technological innovation, and seek to balance the interest of its various stakeholders, shoulder social responsibilities and promote a win-win situation for corporate and social development.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Tang Liang

Dr. Tang Liang (湯亮) ("Dr. Tang"), aged 55, 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 11 years of experience in the Cable Business and 16 years of experience in the Prestressed Materials Business. Prior to joining the Group, Dr. Tang first worked as an officer of the enterprise management office at Baosteel Group Shanghai Ergang Co., Ltd.* (寶鋼集團上海第二有限公司) from July 1988 to March 1993 and then promoted and worked as the deputy director of the enterprise management office from March 1993 to November 1994. He then served as the deputy head of the enterprise administrative division of the Shanghai Municipal Metallurgical Industry Bureau (上海市冶金工業局) from November 1994 to May 1998. From May 1998 to May 2001, Dr. Tang served as an officer of the China Association of Social Workers* (中國社會工作聯合會), previously known as China Union of Social Workers* (中國社會工作協會). Thereafter, Dr. Tang served as the general manager of Innovation Material Research Institute from May 2001 to April 2004 and since April 2004, Dr. Tang has served as the president of Ossen Group Co., Ltd.* (奧盛集團有限公司) ("Ossen Group PRC").

EXECUTIVE DIRECTORS (Continued)

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

Name of subsidiaries	Position	Duration of Tenure
Ossen Group (Asia) Co., Limited	Director	February 2002 – present
Topchina Development Group Limited	Director	November 2004 – present
Ossen (Jiujiang) Innovation Materials Co., Ltd ("Ossen (Jiujiang)")	Director	April 2005 – present
Ossen Innovation Co., Ltd ("Ossen Innovation")	Director	August 2010 – present
Ossen Innovation Materials Co., Ltd ("Ossen Innovation Materials")	Chairman of the board of directors	December 2007 – present
Ossen Innovation Materials Group Co., Ltd	Director	April 2010 – present
Shanghai Pujiang Cable Co., Ltd. ("Shanghai Pujiang")	Chairman of the board of directors	March 2012 – present
Ossen Group Co., Limited	Director	September 2016 – present
Acme Innovation Limited	Director	May 2018 – present
Top Innovation Enterprises Limited	Director	May 2018 – present
Shanghai Xiong Ao Investment Co., Ltd.	Chairman of the board of directors	June 2018 – present
International Superconductor Holding Limited	Director	August 2019 – present
Chao Ao Investment Shanghai Co. Ltd.	Director	September 2019 – present
Shanghai Push Medical Device Co., Ltd.	Director	October 2019 – present
Shanghai Pride Group Limited	Director	August 2020 – present
Shanghai Superconductor	Director	September 2020 – present
Long Ao Investment (Shanghai) Co. Ltd.	Director	October 2020 – present
New Ossen Group Limited	Director	November 2020 – present
Deluxe Precision Limited	Director	November 2020 – present
Harvest Front Limited	Director	December 2020 – present

Dr. Tang has also been appointed as the chairman of the board of directors of Ossen Innovation, a company which was listed on NASDAQ (stock code: OSN) from August 2010 to September 2021 but was privatised and delisted in September 2021. Save as disclosed, Dr. Tang did not hold directorships in any other public listed companies in Hong Kong or overseas 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	Awards	Year of awards
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
All-China Federation of Industry and Commerce (中華全國工商業聯合會)	Vice Chairman	November 2022 – November 2027
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
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 14th National People's Congress	March 2023 – March 2028

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 57, 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 28 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 Hong Kong or overseas in the last three years. Mr. Zhou previously held or currently holds positions at the subsidiaries of the Group as follows:

Name of subsidiaries	Position	Duration of Tenure
Shanghai Pujiang	Director General manager Chairman of the board of directors	September 2010 – present December 2010 – present December 2010 – March 2012
Zhejiang Pujiang Cable Co., Ltd.	Director	December 2010 – May 2012
Shanghai Pujiang Cable Installation Engineering Co., Ltd.	Director and general manager	July 2011 – March 2012
Shanghai Superconductor	Director	September 2020 – present

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

EXECUTIVE DIRECTORS (Continued)

Mr. Hua Wei

Mr. Hua Wei (華偉) ("Mr. Hua"), aged 60, 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 37 years of experience in the prestressed material industry. He was graduated from Shanghai Television University and obtained a bachelor degree in 1985. Prior to joining the Group, Mr. Hua worked in Baosteel Shanghai No. 5 Steel Co., Ltd (寶鋼集團上海第五鋼鐵廠) as a technician from July 1985 to June 1988. From July 1988 to November 2000, he served as the supervisor of Baosteel Shanghai No. 2 Steel Co., Ltd (寶鋼集團上海第二鋼鐵廠). From December 2000 to March 2007, he served as the deputy president of Ossen Group PRC. From March 2007 till now, he has served as the chairman of the board of directors of Ossen (Jiujiang). From December 2007 to September 2021, he has served as the director of Ossen Innovation Materials. Since August 2019, he has also served as the director of Push Medical and he will be re-elected as the director of Push Medical in April 2023. From August 2010 to September 2021, Mr. Hua served as the director of Ossen Innovation which was listed on NASDAQ (Stock Code: OSN) and was privatised and delisted in September 2021. Save as disclosed, Mr. Hua did not hold directorships in any other public listed companies in Hong Kong or overseas in the last three years.

Mr. Ni Xiaofeng

Mr. Ni Xiaofeng (倪曉峰) ("Mr. Ni"), aged 58, 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 23 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 Hong Kong or overseas in the last three years.

EXECUTIVE DIRECTORS (Continued)

Mr. Ni Xiaofeng (Continued)

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Pan Yingli

Ms. Pan Yingli (潘英麗) ("Ms. Pan"), aged 68, was appointed as an independent non-executive Director on 24 April 2019. Ms. Pan is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Ms. Pan is responsible for providing independent judgement on the Group's strategy, performance, resources and standard conduct.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Ms. Pan Yingli (Continued)

Prior to joining the Group, Ms. Pan was appointed as an independent supervisor of China Shipping Container Lines Company limited, a company listed on Hong Kong Stock Exchange (stock code: 2866) from March 2004 to June 2013. Ms. Pan was an independent non-executive director of China Merchants Bank, a company listed on Hong Kong Stock Exchange (stock code: 3968) from November 2011 to November 2018. She has also been appointed as an independent non-executive director of Postal Savings Bank of China Co., Ltd., a company listed on Hong Kong Stock Exchange (stock code: 1658), since December 2019 and Asia Cuanon Technology Shanghai Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603378) since May 2020. From August 2010 to September 2021, she has been appointed as an independent director of Ossen Innovation, a Company which was listed on NASDAQ (Stock Code: OSN) and was privatised and delisted in September 2021. She has also served as the independent director of Push Medical since May 2022. Save as disclosed, Ms. Pan did not hold directorships in any other public listed companies in Hong Kong or overseas in the last three years.

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

Mr. Chen Dewei

Mr. Chen Dewei (陳德偉) ("Mr. Chen"), aged 67, 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 Hong Kong or overseas in the last three years.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Mr. Zhang Bihong

Mr. Zhang Bihong (張弼弘) ("Mr. Zhang"), aged 48, 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 18 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. On 15 June 2021, Mr. Zhang was appointed as the deputy general manager of Jonjee Hi-Tech Industrial and Commercial Holding Co., Ltd (中炬高新技術實業(集團)股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600872) and on 6 September 2021, he was appointed as its financial controller. On 27 April 2021, Mr. Zhang was appointed as an independent non-executive director of WEILONG Delicious Global Holdings Ltd (衛龍美味全球控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code:09985) on 5 December 2022. Save as disclosed, Mr. Zhang did not hold directorships in any other public listed companies in Hong Kong or overseas 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. Luo Guoqiang

Mr. Luo Guoqiang (羅國强) ("Mr. Luo"), aged 69, 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 32 years of experience in and the bridge industry. Prior to joining the Group, Mr. Luo worked as an engineer at Shanghai Cable Research Institute* (上海電纜研究所) from August 1982 to July 1994.

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

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

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

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

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

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

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

SENIOR MANAGEMENT (Continued)

Mr. Xu Haoming

Mr. Xu Haoming (徐浩明) ("Mr. Xu"), aged 68, 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 32 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 65, 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 22 years of experience in the prestressed materials industry, in which he has made remarkable achievements. Mr. You participated in editing several National Standards of the PRC (中華人民共和國國家標準), including "Hot-dip galvanised steel wires for bridge cables" (《橋樑纜索用熱鍍鋅鋼線》), "Hot-dip galvanised steel strand for prestress (《預應力熱鍍鋅鋼絞絲》) and "High strength steel wire strand for building structures" (《建築結構用高強度鋼絞線》) issued by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and the Standardisation Administration of the PRC (中國國家標準化管理委員會) in August 2008, December 2016 and February 2017 respectively. Mr. You is also one of the editors of International Organization for Standardization (ISO) 19203:2018 "Hot-dip galvanized and zinc-aluminium coated high tensile steel wire for bridge cables – Specifications" (《橋樑纜索用熱鍍鋅及鍍鋅合金鋼絲－標準》), which was published in May 2018. Mr. You also received a special subsidy from the State Council of the PRC in December 2016 for his outstanding contribution to the manufacturing industry. Mr. You was awarded the National May 1st Labour Medal (全國五一勞動獎章) by the Chinese National Federation of Trade Unions (中華全國總工會) in April 2019.

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

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

SENIOR MANAGEMENT (Continued)

Mr. Li Gang

Mr. Li Gang (李剛) ("Mr. Li"), aged 60, 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 32 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 22 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lai is a Chartered Secretary and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

DIRECTORS AND CHIEF EXECUTIVE OFFICER

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

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(CEO)*
Mr. Ni Xiaofeng
Mr. Hua Wei

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 23 to 33 of this annual 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 one of the largest providers of bridge cables for the construction of super-long-span bridges in China and one of the leading prestressed materials manufacturers in China. It is principally engaged in the manufacture of cables for construction of bridges and prestressed materials for various infrastructure construction. A fair review of the business of the Group, a discussion and analysis of the Group’s performance during the year including analysis using financial key performance indicators, particulars of important events affecting the Group that have occurred since the end of the financial year, description of the principal risks and uncertainties facing the Group, and a discussion on the Group’s environmental policies and performance and the Group’s compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group’s key relationships with its stakeholders are provided throughout this annual report, particularly in the section headed “Management Discussion and Analysis”, discussions of which form part of this Directors’ Report and other parts of this Directors’ Report.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the ended 31 December 2022 is set out in note 32 to the consolidated financial statements.

PRINCIPAL RISKS

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

RESERVES AND DISTRIBUTABLE RESERVES

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

As at 31 December 2022, the Company's reserves available for distribution in accordance with the Companies Law of the Cayman Islands, amounted to approximately RMB265.2 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 BORROWINGS

Details of bank borrowings of the Group are set out in note 29 to the consolidated financial statements.

RETIREMENT SCHEME

Employees of the Company's subsidiaries in the PRC 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 2022, 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 Directors	Capacity	Number of Shares interested[1]	Approximate shareholding percentage[6]
Dr. Tang Liang	Interest of a controlled corporation	489,627,064 (L)[2]	60.37%
Mr. Ni Xiaofeng	Beneficial owner	1,300,000 (L)[3]	0.16%
Mr. Zhou Xufeng	Beneficial owner	2,520,000 (L)[4]	0.31%
Mr. Hua Wei	Beneficial owner	7,800,000 (L)[5]	0.96%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. The 489,627,064 Shares are held by 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 for the purposes of SFO.
3. The 1,300,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
4. The 2,520,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
5. The 7,800,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
6. The calculation is based on the total number of 811,044,000 Shares in issue as at 31 December 2022.

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

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

Name of Director	Name of associated corporation	Capacity	Number of shares in the associated corporation	Approximate shareholding percentage
Dr. Tang	Elegant Kindness	Beneficial owner	50,000	100%
	Shanghai Xiong Ao Investment Co., Ltd.	Beneficial owner	4,999,995	1%
	Shanghai Pujiang Cable Co., Ltd.	Beneficial owner	2,500,000	0.5%
	Shanghai Push Medical Device Technology Co., Limited	Beneficial owner	21,000,000	37.33%

Save as disclosed above, as of 31 December 2022, 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 2022, 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 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 Shareholders	Capacity	Number of Shares interested[(1)]	Approximate shareholding percentage[(3)]
Elegant Kindness	Beneficial owner	489,627,064 (L)	60.37%
China Merchants Bank Co., Ltd[(2)]	Interest of a controlled corporation	200,000,000 (L)	24.66%
China Silver Asset Management Limited	Investment manager	81,126,000 (L)	10.00%
China Silver Asset Management LLC	Investment manager	78,231,000 (L)	9.65%
CS Asia Opportunities Master Fund	Beneficial owner	78,231,000 (L)	9.65%

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.

3. The calculation is based on the total number of 811,044,000 Shares in issue as at 31 December 2022.

Save as disclosed above, and as of 31 December 2022, 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 2022, an aggregate of 29,480,000 share options were granted under the Share Option Scheme.

1. Purpose of the Share Option Scheme

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

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

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

SHARE OPTION SCHEME (Continued)

3. Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not, in aggregate, exceed 10% of the total number of Shares in issue as at the Listing Date (the "Scheme Mandate Limit"), which represent approximately 9.89% of the total issued Shares as at the date of the annual report, unless the Company seeks the approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit in accordance with the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Group shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

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

4. Maximum entitlement of each participant

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

5. Offer period and period within which the option may be exercised by the grantee

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. Vesting period

The options granted under the Share Option Scheme will be vested according to the terms and conditions determined by the Board.

SHARE OPTION SCHEME (Continued)

7. Exercise 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. The grantee shall accept the offer of the option within 21 business days from the date on which it is made, and pay a consideration of HK$1 upon acceptance of the option.

8. Remaining life of the Share Option Scheme

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

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

The total number of shares of the Company available for issue under the Share Option Scheme was 38,000,000 representing approximately 4.70% of the total number of Shares as at the date of this annual report.

10 Total number of Shares available for grant under the scheme

As at 1 January 2022 and 31 December 2022, 42,000,000 Shares and 29,480,000 Shares were available for grant under scheme respectively.

SHARE OPTION SCHEME (Continued)

The table set out below shows the details of the options granted under the Share Option Scheme during the Reporting Period, except for which, no options had been granted to the (i) chief executive or substantial Shareholders, or their respective associates; or (ii) participant with options granted and to be granted in excess of the 1% individual limit; or (iii) related entity participant or service provider with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the Shares in issue, during the Reporting Period.

					Number of share options					
					Changes during the year					
Name	Date of grant	Exercise period/Vesting period[1]	Exercise price per share	Balance as at 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Balance as at 31 December 2022	Weighted average closing price of Shares immediately before the date of exercise during the Reporting Period[2]
Grantee Director										
Mr. Zhou Xufeng	3 June 2019	3 June 2022 to 2 June 2029	HK$2.80	630,000	–	–	–	–	630,000	N/A
		3 December 2022 to 2 June 2029	HK$2.80	630,000	–	–	–	–	630,000	N/A
		3 June 2023 to 2 June 2029	HK$2.80	630,000	–	–	–	–	630,000	N/A
		3 December 2023 to 2 June 2029	HK$2.80	630,000	–	–	–	–	630,000	N/A
Mr. Ni Xiaofeng	3 June 2019	3 June 2022 to 2 June 2029	HK$2.80	325,000	–	–	–	–	325,000	N/A
		3 December 2022 to 2 June 2029	HK$2.80	325,000	–	–	–	–	325,000	N/A
		3 June 2023 to 2 June 2029	HK$2.80	325,000	–	–	–	–	325,000	N/A
		3 December 2023 to 2 June 2029	HK$2.80	325,000	–	–	–	–	325,000	N/A
Mr. Hua Wei	3 June 2019	3 June 2022 to 2 June 2029	HK$2.80	1,950,000	–	–	–	–	1,950,000	N/A
		3 December 2022 to 2 June 2029	HK$2.80	1,950,000	–	–	–	–	1,950,000	N/A
		3 June 2023 to 2 June 2029	HK$2.80	1,950,000	–	–	–	–	1,950,000	N/A
		3 December 2023 to 2 June 2029	HK$2.80	1,950,000	–	–	–	–	1,950,000	N/A
Others										
Other employees in aggregate	3 June 2019	3 June 2022 to 2 June 2029	HK$2.80	5,095,000	–	–	–	630,000	4,465,000	N/A
		3 December 2022 to 2 June 2029	HK$2.80	5,095,000	–	–	–	630,000	4,465,000	N/A
		3 June 2023 to 2 June 2029	HK$2.80	5,095,000	–	–	–	630,000	4,465,000	N/A
		3 December 2023 to 2 June 2029	HK$2.80	5,095,000	–	–	–	630,000	4,465,000	N/A
	23 October 2019	23 October 2022 to 22 October 2029	HK$4.092	2,500,000	–	–	–	2,500,000	–	N/A
		23 April 2023 to 22 October 2029	HK$4.092	2,500,000	–	–	–	2,500,000	–	N/A
		23 October 2023 to 22 October 2029	HK$4.092	2,500,000	–	–	–	2,500,000	–	N/A
		23 April 2024 to 22 October 2029	HK$4.092	2,500,000	–	–	–	2,500,000	–	N/A
				42,000,000					29,480,000	

SHARE OPTION SCHEME (Continued)

During the Reporting Period, no share option has been granted or exercised under the Share Option Scheme. Hence, (i) the closing price of the shares immediately before the date on which the options were granted and fair value of options at the date of grant and the accounting policy and standard adopted are not applicable and (ii) the number of shares that may be issued in respect of options granted under all schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue for the Reporting Period is nil.

Notes:

1. The options granted on 3 June 2019 have an option period of 10 years from the grant date, i.e. from 23 October 2019 to 22 October 2029 (both days inclusive), and the options shall lapse at the expiry of such period. Such options granted shall be vested and exercisable at any time during the option period in four tranches as follows:

   (i) in respect of 25% of the Options: 3 June 2022 and up to the end of the option period (both days inclusive);

   (ii) in respect of 25% of the Options: 3 December 2022 and up to the end of the option period (both days inclusive);

   (iii) in respect of 25% of the Options: 3 June 2023 and up to the end of the option period (both days inclusive); and

   (iv) in respect of 25% of the Options: 3 December 2023 and up to the end of the option period (both days inclusive)

   The options granted on 23 October 2019 have an option period of 10 years from the grant date, i.e. from 23 October 2019 to 22 October 2029 (both days inclusive), and the options shall lapse at the expiry of such period. Such options granted shall be vested and exercisable at any time during the option period in four tranches as follows:

   (i) in respect of 25% of the Options: 23 October 2022 and up to the end of the option period (both days inclusive);

   (ii) in respect of 25% of the Options: 23 April 2023 and up to the end of the option period (both days inclusive);

   (iii) in respect of 25% of the Options: 23 October 2023 and up to the end of the option period (both days inclusive); and

   (iv) in respect of 25% of the Options: 23 April 2024 and up to the end of the option period (both days inclusive).

2. Weighted average closing price of Shares immediately before the date of exercise is not applicable as no options were exercised during the Reporting Period.

Save as disclosed above there are no other information that are required to be disclosed under rule 17.07 of the Listing Rules.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2022, the total number of employees in the Group was 430 (31 December 2021: 444) and total employee costs amounted to RMB44.9 million. The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations. Share option schemes of the Group are set out on pages 39 to 43. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge.

EMPLOYMENT AND REMUNERATION POLICIES (Continued)

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.

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

Details of the Group’s environmental policies and performance are set out in the ESG report of the Company for the Reporting Period, which is published on the same date as this annual report, on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.pji-group.com) under the section “Investor Relations - Announcements and Circulars”.

CONNECTED TRANSACTION

During the Reporting Period, 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, 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 2022. 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

The Group did not have any material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries, associates and joint ventures, or significant investments for the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EVENTS SUBSEQUENT TO 31 DECEMBER 2022

Subsequent to the end of the Reporting Period, the Company repurchased 1,014,000 shares of its own ordinary Shares on the Hong Kong Stock Exchange at total cash consideration plus transaction costs amounting to HK$571,000 (equivalent to approximately RMB491,000). All these repurchased shares have been cancelled on 19 January 2023.

Save as disclosed above, there was no other significant events occurred subsequent to 31 December 2022 and up to the date of this annual 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 the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, the Company repurchased a total of 1,150,000 Shares (the "Shares Repurchase") at an aggregate consideration (including relevant expenses) of approximately HK$700,660 (equivalent to approximately RMB602,000) on the Hong Kong Stock Exchange. All the Shares repurchased have been cancelled on 19 January 2023. Details of the Shares Repurchase are as follows:

Month of repurchase in 2022	**Number of Shares repurchased**	**Price per Share highest** (HK$)	**Price per Share lowest** (HK$)	**Aggregated purchase price** (approximately) (HK$)
December	1,150,000	0.63	0.57	700,660

The Shares Repurchase were made for the benefit of the Company and the Shareholders as a whole with a view to enhance Shareholders' value in the long run.

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

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

On 29 July 2022, the Company as borrower entered into the Facility Agreement with the Lenders in relation to 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, being the immediate controlling shareholder of the Company, executed a share charge, pursuant to which Elegant Kindness agreed to deposit 200,000,000 shares of the Company (the "Charged Shares") (subject to adjustment), into a securities account and charge the same in favour of CMB International Securities Limited, an affiliate of one of the Lenders. The Charged Shares represent 24.66% of the total issued shares of the Company as at the date of this report. Pursuant to the terms of the Facility Agreement, if:

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

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

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

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

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

the commitments under the Facility Agreement shall be immediately cancelled in full and all amounts outstanding under the Facility Agreement and the Finance Documents (as defined in the Facility Agreement) shall become immediately due and payable. Please refer to the announcement of the Company dated 29 July 2022 for details.

PERMITTED INDEMNITY PROVISIONS

As of date of this annual 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 Reporting Period is as follows:

	No. of Individuals
Nil to HK$1,000,000	4

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 the Reporting Period.

MATERIAL CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

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 2022, 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

During the Reporting Period, the Group did not make any donations to charity.

EQUITY-LINKED AGREEMENT

During the Reporting Period, save for the Share Option Scheme as set out in the section "Share Option Scheme" in this report, the Company and its subsidiaries did not enter into any agreements in relation to equity-linked products or participate in any arrangement to purchase equity-linked financial products.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, as at the latest practicable date prior to the printing of this annual 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 Reporting Period and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board has resolved not to declare a final dividend by the Company for the Reporting Period (2021:nil).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the total purchases from the top five suppliers of the Company accounted for 75% of the total cost of sales of the Group, of which the purchases from the largest supplier accounted for 21% of the total cost of sales of the Group.

The total sales revenue to the five largest customers of the Company during the Reporting Period accounted for 48% of the total sales revenue of the Group, of which sales to the largest customers accounted for 25% 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 8 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 the preceding three years. 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 Friday, 16 June 2023 to Wednesday, 21 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 15 June 2023.

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 Reporting Period.

By Order of the Board
Pujiang International Group Limited
Dr. Tang Liang
Chairman of the Board
Shanghai
29 March 2023

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 Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules (the "CG Code") applicable to the Company for the Reporting Period as the basis of the Company's corporate governance practices. The Company is aware that the Hong Kong Stock Exchange has amended Appendix 14 to the Listing Rules, which has come into effect from 1 January 2022, and the title has also been changed to "Corporate Governance Code". The relevant code provision numbers of the CG Code disclosure in this Corporate Governance Report will be presented according to the version before revision. The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code throughout the Reporting Period.

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 A.2.1 of the CG Code.

During the Reporting Period, the Board had developed and reviewed the Company's corporate governance policies and practices, reviewed and monitored training and continuous professional development of the Directors and senior management, reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements developed, reviewed and monitored the code of conduct applicable to the employees and Directors, review the Company's 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 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 Period.

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

THE BOARD OF DIRECTORS

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

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

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

Executive Directors

Dr. Tang Liang *(Chairman)*
Mr. Zhou Xufeng *(Chief Executive Officer)*
Mr. Ni Xiaofeng
Mr. Hua Wei

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 23 to 33 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, 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, and he is primarily responsible for overall management, financial operation and internal management of the Group.

Independent Non-Executive Directors

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

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

THE BOARD OF DIRECTORS (Continued)

Appointment and Re-election of Directors

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

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

Attendance Records of Board Meetings and Annual General Meeting

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

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

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 Period, 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 Period are summarized as follows:

Directors	Type of Training Notes
Executive Directors	
Dr. Tang Liang	A&B
Mr. Zhou Xufeng	A&B
Mr. Ni Xiaofeng	A&B
Mr. Hua Wei	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 Period, 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 SFO and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practice.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

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

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

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on pages 2 to 3.

Audit Committee

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

The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgments contained in them; and oversee financial reporting system, risk management and internal control procedures and its other duties under the CG Code and 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 Period, one meeting had been held between the external auditors and Audit Committee without the presence of the Executive Directors on 29 December 2022 for the Audit Plan.

During the Reporting Period, 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, risk management and internal control systems, the effectiveness of the internal audit function of the Group 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 2023. 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.

In respect of remuneration policy of Directors, 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 Period, 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 assess performance of the executive Directors, approving matters related to the Share Option Scheme under Chapter 17 of the Listing Rules. The Remuneration committee has reviewed a summary of material matters relating to the Share Option Scheme during the Reporting Year. Details of the emoluments of Directors for the Reporting Period are set out in Note 13 to the consolidated financial statements. All members of the Remuneration Committee attended the meeting.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS (Continued)

Nomination Committee

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

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

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

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

The Nomination Committee would meet at least once a year. During the Reporting Period, 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.

BOARD DIVERSITY POLICY

Purpose

The Company is committed to equality of opportunity in all aspects of its business and does not discriminate on the grounds of race, gender, disability, nationality, religious or philosophical belief, age, sexual orientation, family status or any other factor. The board diversity policy (the "Policy") sets out the approach to achieve and maintain diversity on the Board.

Policy Statement

The Company recognises the benefits of having a Board that has a balance of skills, experience and diversity of perspectives appropriate to enhance the quality of its performance, enables the Board to discharge its duties and responsibilities effectively, enhance good decision making and support succession planning and development of 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 after due regard to factors which include but are 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. For achieving increasing diversity in the Board, additional measurable objectives/specific diversity targets may be set and reviewed from time to time to ensure their appropriateness.

The Nomination Committee of the Company is responsible for reviewing 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.

Measurable Objectives

The Company is committed to achieving the following targets and adopting the following measures in order to ensure diversity in the Board. The Company is committed to achieving gender diversity in the Board. Currently, the Company has one female Director. The Company targets to maintain at least one female Director in the Board going forward, and to gradually achieve appropriate balance of gender diversity with reference to the requirements of the Company's business and operation, stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity by 2030. The Nomination Committee will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for directors' appointment. In order to further enhance the diversity of the Board, the Board will also engage independent professional agencies to assist with identifying suitable candidates for the Directors if needed. The Company will review the implementation and the effectiveness of the Policy annually.

BOARD DIVERSITY POLICY (Continued)

Policy Statement (Continued)

Knowledge, skills and experience: the Board will continue to possess a balance of knowledge, skills and experiences appropriate for the requirements of the business and operation of the Company. A board comprised of directors with a range of ages and tenure can enhance diversity and minimise succession risks. In support of that objective, age is one of the factors which the Nomination Committee will take into account when selecting and making recommendation on suitable director candidates. The Nomination Committee may also from time to time select and recommend younger director candidates with the intention to develop a pipeline of successors, while balancing the knowledge, skills and experiences required for the business and operation of the Company.

Monitoring and Review of the Policy

The Nomination Committee will monitor the Policy and its implementation, and review the Policy annually to ensure the effectiveness of this Policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. In order to ensure that the Board's composition complies with the Listing Rules and reflects an appropriate mix of skills, experience and diversity that are relevant to the Company's strategy, governance and business and contribute to the Board's effectiveness and efficiency, the Nomination Committee has reviewed the structure, size and diversity of the Board as well as the Board Diversity Policy for the year ended 31 December 2022.

Disclosure of this Policy

The following disclosure will be made in the corporate governance report on an annual basis:

- a summary of the Policy together with the measurable objectives set for implementing the Policy, and the progress made towards achieving those objectives;
- how and when gender diversity will be achieved in the Board;
- the numerical targets and timelines set for achieving gender diversity in the Board; and
- measures adopted to develop a pipeline of potential successors to the Board to achieve gender diversity.

Diversity in Workforce

In 2022, our total workforce gender diversity is at 15:85 female to male ratio due to the nature of the industry the Group operates. The Group shall endeavor to maintain at least the existing gender ratio for the workforce. The targets will be re-visited periodically. The management will review the employee turnover and recruitment data identified on a periodic basis for adjustment to the recruitment targets, policies and strategies if necessary.

MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT ARE AVAILABLE TO THE BOARD

The Nomination Committee also carried out annual evaluations of the procedures in place to make sure that the Board could access independent opinions and contributions throughout the year. The Nomination Committee believed that the Company has put in place processes that continue to be successful to ensuring a strong independent element on the Board, taking into account the following salient characteristics and mechanisms:

Board and Committees' structure

The Board will maintain a balanced composition of executive and independent non-executive Directors to ensure a strong element of independence in the Board.

- The role of the Chairman and the Chief Executive Officer are separate to ensure that there is a balance of power and authority.
- The Board will maintain a balanced composition of executive Directors and independent non-executive Directors to ensure strong independence of the Board.

Professional advice

To facilitate proper discharge of the Directors' duties, all Directors are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the Group's expense.

Independence

The independent non-executive directors shall be of sufficient calibre and stature for their views to carry weight. The Board will assess the independence of each of the directors on an ongoing basis with regard to all relevant factors.

None of the independent non-executive Directors serve as the independent non-executive Director on the Board of more than 7 listed companies and none of them served as an independent non-executive Director of the Company for more than 9 years.

AUDITORS' REMUNERATION

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

Services provided Fees	RMB'000
2022 annual audit	1,100
Non-audit services*	550
Total	1,650

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

COMPANY SECRETARY

Ms. Lai Siu Kuen of Tricor Services Limited was appointed as the company secretary of the Company with effect from 17 March 2021. Mr. Zhou Xufeng, the executive Director and chief executive officer 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 Reporting Period, Ms. Lai Siu Kuen has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for maintaining appropriate and effective risk management and internal control systems (the "Systems") on an on-going basis 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 has conducted annual review of the Systems and confirmed that the Systems were in place and were effective throughout the Reporting Period.

INTERNAL CONTROL STRUCTURE

The Board is responsible for ensuring appropriate and effective Systems, and determining the nature and extent of the risks it is willing to take in achieving the strategic objectives of the Company. It also monitors and identify the risks that may potentially affect the Group's business and operations, evaluates the impact and significance of 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 covering the Reporting Period.

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

During the Reporting Period, the Board, with the assistance of the Audit Committee and the internal audit department, reviewed the effectiveness of the Systems of the Group, including financial, operational and compliance controls, and risk management functions, the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions and their training programmes and budget as well as those relating to the Company's ESG performance and reporting. The scope of annual review also includes:

(i) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the issuer's ability to respond to changes in its business and the external environment;

(ii) the scope and quality of management's ongoing monitoring of risks including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers;

(iii) the extent and frequency of communication of monitoring results to the Board (or board committee(s)) which enables it to assess control of the Company and the effectiveness of risk management;

(iv) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and

(v) the effectiveness of the Company's processes for financial reporting and Listing Rule compliance.

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 regarding raising concerns about possible improprieties (i.e. Whistleblowing policy)

The Company has adopted a policy for regarding raising concerns about possible improprieties setting out the aiming to govern and deal with fairly and properly concerns raised by the Company's employees and others with whom the Company interacts (such as customers and suppliers) 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.

Anti-bribery and anti-corruption policies and systems

The Group has implemented the Group Anti-Bribery and Anti-Corruption Policy and systems to support its commitment to high standards of business, professional, and ethical conduct, and to ensure best practices across the Group. The Board has delegated authority to the Audit Committee to review the Group Anti-Bribery and Anti-Corruption Policy periodically.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for Reporting Period.

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 69 to 154 of this annual report.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its mission, vision and core values. The Board considers that the corporate culture and the purpose, values and strategy of the Group are aligned.

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 and reviews the implementation and the effectiveness of the Shareholders Communication Policy annually.

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 to allow for the shareholders of the Company to communicate their views on various matters affecting the Company and to solicit and understand the views of the shareholders of the Company and stakeholders. 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. Taking into account the above, the Company consider the implementation and effectiveness of the shareholders' communication policy were effective.

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 Period, 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 (the "AGM") will be held on 21 June 2023. The notice of AGM will be published on the websites of the Company (www.pji-group.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) and despatched 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 Shareholders' 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 in force as at 31 December 2022, 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 Companies Law of the Cayman Islands. 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 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong or at the Company's headquarters in the PRC at Floor 16, 518 Shangcheng Road, Shanghai 200120, the PRC.

Proposing a person for election as a Director

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company to the address listed out below. 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
17/F, Far East Finance Centre, 16 Harcourt Road, 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. The Board shall review the Dividend Policy annually. 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.

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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 74 to 154, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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
(notes 4(g)(ii), 23 and 43(a) to the consolidated financial statements)

At 31 December 2022, the Group had trade and retention receivables of RMB1,542,308,000, net of provision for impairment of RMB58,972,000, which accounted for approximately 27.6% of the Group's total assets.

The Group has assessed loss allowance for trade and retention receivables based on expected credit losses ("ECLs") model under HKFRS 9 *Financial Instruments* ("HKFRS 9"). In order to measure impairment provision, management is required to apply judgement and assumptions, also use estimation techniques in such aspects as estimating the parameters for measuring ECLs and determining the forward-looking adjustments.

We identified the impairment assessment for trade and retention receivables as a key audit matter due to the significance of balance of trade and retention receivables to the consolidated financial statements as a whole and that significant amount of management judgement and estimation being required in determining the impairment provision.

Our response:

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

– Understood, evaluated and validated on a sample basis for 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 and assessed whether the Group's impairment policy is in accordance with the requirements under HKFRS 9;

– Assessed the Group's ECLs models, including the model input, model design and model performance. We assessed and tested the model inputs against the historical payment record, historical loss rate, the ageing of trade and retention receivables, subsequent settlements by customers, 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 ECLs of trade and retention receivables made by the management of the Group; and

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

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company'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 disclosure requirements of 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 the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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, action taken to eliminate threats or safeguards applied.

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

BDO Limited
Certified Public Accountants
Leung Tze Wai
Practising Certificate Number P06158

Hong Kong, 29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	7	**2,151,767**	2,156,263
Cost of sales		**(1,585,209)**	(1,582,811)
Gross profit		**566,558**	573,452
Other revenue	8	**9,933**	22,153
Other gains and losses	9	**35,775**	1,771
Distribution costs		**(29,036)**	(40,091)
Administrative expenses		**(79,346)**	(79,351)
(Impairment loss)/Reversal of impairment loss on trade and retention receivables		**(23,662)**	1,097
Reversal of impairment loss/(Impairment loss) on deposits and other receivables		**452**	(1,117)
Research and development expenses		**(106,348)**	(107,563)
Operating profit		**374,326**	370,351
Share of losses of associates		**(13,852)**	(10,116)
Finance costs	10	**(141,826)**	(106,431)
Profit before income tax	11	**218,648**	253,804
Income tax expense	15	**(36,860)**	(38,270)
Profit for the year		**181,788**	215,534
Profit for the year attributable to:			
Owners of the Company		**171,304**	205,017
Non-controlling interests		**10,484**	10,517
		181,788	215,534
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(19,898)**	(23,188)
Total comprehensive income for the year		**161,890**	192,346
Total comprehensive income attributable to:			
Owners of the Company		**151,406**	181,821
Non-controlling interests		**10,484**	10,525
		161,890	192,346
	16	**RMB**	RMB
Earnings per share:			
– Basic		**0.2112**	0.2528
– Diluted		**0.2112**	0.2519

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	18	**287,260**	153,849
Intangible assets	20	**–**	–
Interests in associates	21	**241,147**	254,999
Deposits	24	**89,033**	135,839
Deferred tax assets	25	**15,369**	11,493
		632,809	556,180
Current assets			
Inventories	22	**561,981**	602,799
Trade and retention receivables	23	**1,542,308**	1,326,654
Prepayments, deposits and other receivables	24	**2,035,945**	2,209,998
Restricted bank deposits	26	**268,481**	234,648
Cash and cash equivalents	26	**554,128**	372,974
		4,962,843	4,747,073
Non-current assets classified as held for sale	19	**–**	17,590
Total current assets		**4,962,843**	4,764,663
Current liabilities			
Trade and bills payables	27	**761,461**	737,766
Contract liabilities	28	**55,486**	59,147
Other payables and accruals		**185,031**	158,736
Bank borrowings	29	**2,117,861**	1,961,219
Amounts due to related companies	30	**–**	104,000
Tax payable		**36,010**	31,596
Lease liabilities	31	**13,493**	28,192
		3,169,342	3,080,656
Net current assets		**1,793,501**	1,684,007
Total assets less current liabilities		**2,426,310**	2,240,187

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Bank borrowings	29	94,000	57,487
Lease liabilities	31	1,693	13,272
		95,693	70,759
NET ASSETS		2,330,617	2,169,428
CAPITAL AND RESERVES			
Share capital	32	7,138	7,138
Reserves	33	2,216,289	2,065,584
Equity attributable to owners of the Company		2,223,427	2,072,722
Non-controlling interests	34	107,190	96,706
TOTAL EQUITY		2,330,617	2,169,428

On behalf of the directors

Tang Liang **Zhou Xufeng**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Equity attributable to owners of the Company											
	Share Capital RMB'000 (note 32)	Treasury shares RMB'000 (note 33)	Share premium RMB'000 (note 33)	Share-based payment reserve RMB'000 (note 33)	Capital reserve RMB'000 (note 33)	Statutory reserve RMB'000 (note 33)	Merger reserve RMB'000 (note 33)	Translation reserve RMB'000 (note 33)	Retained earnings RMB'000 (note 33)	Total RMB'000	Non-controlling interests RMB'000 (note 34)	Total equity RMB'000
At 1 January 2021	7,138	–	465,016	47,688	159,181	94,199	90,341	(15,041)	915,833	1,764,355	319,055	2,083,410
Profit for the year	–	–	–	–	–	–	–	–	205,017	205,017	10,517	215,534
Other comprehensive income for the year												
– Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(23,196)	–	(23,196)	8	(23,188)
Total comprehensive income for the year	–	–	–	–	–	–	–	(23,196)	205,017	181,821	10,525	192,346
Change in ownership interest in a subsidiary without loss of control (note 34(b))	–	–	–	–	8,787	23,138	–	(1,491)	129,778	160,212	(232,874)	(72,662)
Transfer from retained earnings to statutory reserve	–	–	–	–	–	25,764	–	–	(25,764)	–	–	–
Final dividend in respect of 2020	–	–	(33,666)	–	–	–	–	–	–	(33,666)	–	(33,666)
At 31 December 2021	7,138	–	431,350	47,688	167,968	143,101	90,341	(39,728)	1,224,864	2,072,722	96,706	2,169,428
At 1 January 2022	7,138	–	431,350	47,688	167,968	143,101	90,341	(39,728)	1,224,864	2,072,722	96,706	2,169,428
Profit for the year	–	–	–	–	–	–	–	–	171,304	171,304	10,484	181,788
– Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(19,898)	–	(19,898)	–	(19,898)
Total comprehensive income for the year	–	–	–	–	–	–	–	(19,898)	171,304	151,406	10,484	161,890
Transfer from retained earnings to statutory reserve	–	–	–	–	–	23,320	–	–	(23,320)	–	–	–
Lapsed of share options	–	–	–	(18,670)	–	–	–	–	18,670	–	–	–
Repurchase of shares	–	(602)	–	–	–	–	–	(99)	–	(701)	–	(701)
At 31 December 2022	7,138	(602)	431,350	29,018	167,968	166,421	90,341	(59,725)	1,391,518	2,223,427	107,190	2,330,617

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Profit before income tax	218,648	253,804
Adjustments for:		
Depreciation of property, plant and equipment	6,334	6,582
Depreciation of right-of-use assets	30,684	20,625
Share of losses of an associates	13,852	10,116
Finance costs	141,826	106,431
Impairment loss/(Reversal of impairment loss) on trade and retention receivables	23,662	(1,097)
(Reversal of impairment loss)/Impairment loss on deposits and other receivables	(452)	1,117
Written off recognised on deposits and other receivables	396	–
Allowance for/(reversal of allowance for) inventories	11	(835)
Interest Income	(3,126)	(9,218)
Gain on disposal of assets classified as held for sale	(34,135)	–
Loss on disposal of property, plant and equipment	532	114
Operating profit before working capital changes	398,232	387,639
Decrease/(increase) in inventories	40,807	(150,866)
Increase in trade and retention receivables	(239,316)	(340,268)
Decrease/(increase) in prepayments, deposits and other receivables	220,915	(730,059)
Increase in trade and bills payables	23,695	152,790
Decrease in contract liabilities	(3,661)	(96,660)
Increase in other payables and accruals	78,020	50,845
(Decrease)/increase in amounts due to related companies	(104,000)	104,000
Cash generated from/(used in) operations	414,692	(622,579)
Income taxes paid	(36,322)	(29,686)
Net cash generated from/(used in) operating activities	378,370	(652,265)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 RMB'000	2021 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(165,232)**	(13,690)
(Increase)/decrease in restricted bank deposits		**(33,833)**	12,888
Proceeds from disposal of property, plant and equipment		**58**	–
Acquisition of remaining interest of a subsidiary	34(b)	**–**	(72,662)
Interest received		**3,126**	9,218
Net cash (used in)/generated from investing activities		**(195,881)**	(62,246)
Cash flows from financing activities			
Purchase of ordinary shares for cancellation	32	**(602)**	–
Proceeds from bank borrowings	37	**2,234,558**	2,016,740
Repayment of bank borrowings	37	**(2,063,905)**	(1,638,434)
Payment of lease liabilities	37	**(30,335)**	(20,069)
Interest paid	37	**(143,557)**	(104,839)
Dividends paid		**–**	(33,666)
Net cash (used in)/generated from financing activities		**(3,841)**	219,732
Net increase/(decrease) in cash and cash equivalents		**178,648**	(496,779)
Cash and cash equivalents at the beginning of year		**372,974**	891,921
Effect of exchange rate changes on cash and cash equivalents		**2,506**	(22,168)
Cash and cash equivalents at the end of year		**554,128**	372,974
Analysis of the balances of cash and cash equivalents:			
Cash and cash equivalents		**554,128**	372,974

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. The principal activities carried out by the Company and its subsidiaries (hereinafter collectively referred as the "Group") is manufacturing, installation and selling of customised prestressed steel materials and cables. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The directors of the Company consider that its ultimate holding company is Elegant Kindness Limited, a company incorporated in British Virgin Islands ("BVI").

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

(a) Adoption of new or amended HKFRSs – effective on 1 January 2022

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2022:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 9 Financial Instruments and HKFRS 16 Leases

The directors of the Company consider that these new or amended HKFRSs has no material impact on the Group's results and financial position for the current or prior period and/or accounting policies.

2. ADOPTION OF NEW OR REVISED 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 revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-Current Liabilities with Covenants[2]
HK Interpretation 5 (2022)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKAS 12 require entity to recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

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

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

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

Amendments to HKAS 1 require material accounting policy information to be disclosed in financial statements rather than significant accounting policies and provide additional guidance in deciding which accounting policies should be disclosed. Amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors are currently assessing the possible effect of these new and amendments standards on the Group's results and financial position in the first year of application. Except for the above amendments which may result in changes in disclosures for accounting policies in the financial statements, those new and amendments to HKFRS that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with HKFRSs, which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the disclosures 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.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 5.

3. BASIS OF PREPARATION (Continued)

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), and the functional currency of the Company is United States Dollar ("USD").

All amounts are rounded to the nearest thousand ("RMB'000") 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 (see note 4(b) below). 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associates

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

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

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

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

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 4(o)).

The cost of property, plant and equipment includes its purchase price and the costs directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Depreciation is provided to write off the cost of each item of property, plant and equipment less its expected residual value, if applicable, over its estimated useful lives on a straight-line basis 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

Residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Construction in progress represents machinery and other assets under construction or installation, which is stated at cost less any impairment losses. Cost comprises the direct costs of construction, installation, testing as well as borrowing costs capitalised during the period of construction. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sale proceeds and its carrying amount of the item and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Leasing

The Group as a lease

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 of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

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

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

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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 lessee's incremental borrowing rate.

The following payments for use of 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amortisation is provided on a straight-line basis over their useful lives as follows:

Technology know-how	5 years

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capitalised development expenditures are amortised using the straight-line method over the life of the products. Amortisation shall begin when the asset is available for use. Subsequent to initial recognition, internally generated intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses (if any).

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

(g) Financial 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, 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 marketplace.

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

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Financial assets at 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 method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade and retention receivables and other financial assets measured at amortised cost.

ECLs are probability-weighted estimate of credit losses. Credit losses are measured at the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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.

The Group measures loss allowances for trade and retention receivables using 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 Group applies the general approach and the ECLs are recognised 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.

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. For this purpose, 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 in default when the debtor 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 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)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment loss or reversal in profit or loss for financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

(iii) Financial liabilities

The Group classifies its financial liabilities as financial liabilities measured at amortised costs.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, other payables and accruals, borrowings and amounts due to related companies. They are initially measured at fair value net of directly attributable costs incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 4(j)).

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.

(v) Equity instruments

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

(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 Instruments* ("HKFRS 9").

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Inventories

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

(i) Revenue and other income 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue and other income recognition (Continued)

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 *Revenue from Contracts with Customers* ("HKFRS 15").

Further details of the Group's recognition policies for revenue and other income are as follows:

(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.

(iii) Interest income

Interest income is accrued on a time basis using effective interest method by applying applicable interest rate on (i) the amortised cost (i.e. gross carrying amount less loss allowance for credit-impaired financial assets; or (ii) the gross carrying amount for non-credit impaired financial assets.

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

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

Contract liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(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.

Grants that compensate the Group for expenses incurred are recognised as income or deducted in the related expenses, as appropriate, in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related assets.

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 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes (Continued)

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 and reflects any uncertainty related to income taxes.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit or tax loss of the periods in which the temporary differences are expected to reverse. The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of taxable income in those years. The estimate of future taxable income includes (i) income or loss excluding reversals of temporary differences; and (ii) reversals of existing temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates 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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. RMB) 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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
- interests in associates

Impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal, reflecting market conditions, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss on the Group's non-financial assets is reversed if there has been a favourable change in the estimates used to determine the asset's or cash-generating unit's recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

(r) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision-maker i.e. executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Defined contribution retirement plan

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group are members of the central pension scheme (the "Central Pension Scheme"), which is a defined contribution retirement benefit plan organised by the relevant provincial government in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans which are calculated as a percentage of the employees' salaries, subject to certain ceilings imposed. The provincial government undertakes to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plan 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's contributions to the Central Pension Scheme vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the Central Pension Scheme which may be used by the Group to reduce its existing level of contributions or contributions payable in future years as at and during each of the years ended 31 December 2022 and 2021.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

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.

Critical judgments in applying accounting policies

(i) Timing of satisfaction of performance obligations

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

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

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

For the provision of installation services, the directors of the Company have assessed that the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Therefore, the directors of the Company have satisfied that the performance obligations of the provision of the installation service are satisfied over time and recognised the relevant revenue over time.

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

Key sources of estimation uncertainty

(i) Impairment of trade and retention receivables

The measurement of loss allowance for ECLs of trade and retention receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Trade and retention receivables are reviewed periodically to assess for impairment. The Group estimates loss allowances for ECLs based on historical loss experience and the current and forecast economic conditions for customers with similar credit risk ageing of the receivables and customers' creditworthiness. If the financial conditions of customers were to deteriorate, actual write off would be higher than expected. The methodology and assumptions used are reviewed regularly to reduce any difference between the loss estimates and actual amounts.

Loss allowance for ECLs provided for trade and retention receivables amounted to RMB58,972,000 as at 31 December 2022 (2021: RMB35,310,000). Details of the ECLs assessment are set out in note 43(a).

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

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

(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. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimation at each reporting date to ensure inventories are shown at the lower of cost and net realisable value.

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

Key sources of estimation uncertainty (Continued)

(iv) 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.

(v) Incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates (such as the subsidiaries' stand-alone credit rating).

6. SEGMENT INFORMATION

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(r).

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.

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

The following summary describes the operations in each of the Group's reportable segments:

- **Cables** – provision of manufacture, installation and sale of cables
- **Prestressed steel materials** – provision of manufacture and sale of customised prestressed steel materials

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

(a) Segment revenue and results

For the year ended 31 December 2022

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Revenue to external customers	**1,304,512**	**847,255**	**2,151,767**	**–**	**2,151,767**
Segment profit/(loss) before income tax	**187,358**	**96,384**	**283,742**	**(65,094)**	**218,648**

For the year ended 31 December 2021

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Revenue to external customers	1,208,410	947,853	2,156,263	–	2,156,263
Segment profit/(loss) before income tax	233,649	74,162	307,811	(54,007)	253,804

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

(a) Segment revenue and results (Continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from external customers and there were no inter-segment sales between different segments during the year and in prior year.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Segment assets		
Cables	3,342,017	3,136,598
Prestressed steel materials	1,480,075	1,408,477
Segment assets	4,822,092	4,545,075
Unallocated	773,560	775,768
Total consolidated assets	5,595,652	5,320,843

	2022 RMB'000	2021 RMB'000
Segment liabilities		
Cables	2,471,505	2,319,836
Prestressed steel materials	560,524	440,375
Segment liabilities	3,032,029	2,760,211
Unallocated	233,006	391,204
Total consolidated liabilities	3,265,035	3,151,415

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

For the year ended 31 December 2022

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	1,225	1,028	2,253	873	3,126
Government grants	5,994	813	6,807	–	6,807
Share of losses of associates	4,344	–	4,344	(18,196)	(13,852)
Finance costs	(96,775)	(11,949)	(108,724)	(33,102)	(141,826)
Income tax expenses	(24,446)	(12,414)	(36,860)	–	(36,860)
Depreciation of right-of-use assets	(360)	(29,724)	(30,084)	(600)	(30,684)
Depreciation of property, plant and equipment	(5,050)	(1,284)	(6,334)	–	(6,334)
Impairment loss on trade and retention receivables	(24,069)	407	(23,662)	–	(23,662)
Reversal of impairment loss/ (impairment loss) on deposits and other receivables	547	(95)	452	–	452
(Gain)/loss on disposal of property, plant equipment	18	(550)	(532)	–	(532)
Gain on disposal of assets classified as held for sale	–	34,135	34,135	–	34,135
Written off recognised on deposits and other receivables	(396)	–	(396)	–	(396)
Additions to property, plant and equipment	9,259	155,973	165,232	2,403	167,635

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

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

For the year ended 31 December 2021

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	4,919	965	5,884	3,334	9,218
Government grants	9,405	3,530	12,935	–	12,935
Share of losses of associates	–	–	–	(10,116)	(10,116)
Finance costs	(74,216)	(16,560)	(90,776)	(15,655)	(106,431)
Income tax expenses	(29,821)	(8,449)	(38,270)	–	(38,270)
Depreciation of right-of-use assets	(525)	(20,100)	(20,625)	–	(20,625)
Depreciation of property, plant and equipment	(5,230)	(1,352)	(6,582)	–	(6,582)
Reversal of impairment loss/ (impairment loss) on trade and retention receivables	6,015	(4,918)	1,097	–	1,097
Impairment loss on deposits and other receivables	(1,117)	–	(1,117)	–	(1,117)
Loss on disposal of property, plant equipment	–	(114)	(114)	–	(114)
Additions to property, plant and equipment	10,871	61,048	71,919	–	71,919

6. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

(d) Geographical information and major customers

The Group's revenue from external customers is derived mainly from its operations in the PRC, where all its non-current assets are located. Management determines that the Group is domiciled in the PRC. Over 90% of the Group's revenue is derived from external customers and all of the Group's non-current assets are located in the PRC. Accordingly, no separate segmental analysis is presented.

(e) Information about major customers

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

	2022 **RMB'000**	2021 RMB'000
Customer A (note)	**547,092**	626,200

Note:

Revenue derived from the above customer for the year is reported under the segment prestressed steel materials.

7. REVENUE

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

The principal activities of the Group are manufacturing and sale of cables, customised prestressed steel materials and providing installation services. An analysis of the revenue from the Group's principal activities is as follows:

	2022 **RMB'000**	2021 RMB'000
Revenue from contracts with customers		
Manufacture, installation and sale of cables	**1,304,512**	1,208,410
Manufacture and sale of customised prestressed steel materials	**847,255**	947,853
	2,151,767	2,156,263

Disaggregation of revenue from contracts with customers

	2022 **RMB'000**	2021 RMB'000
Timing of revenue recognition		
At a point in time:		
– Sales of customised prestressed steel materials and cables	**2,151,053**	2,151,870
Over time:		
– Provision of installation services	**714**	4,393

As at 31 December 2021 and 2022, the aggregate amount of the consideration the Group is entitled and allocated to the performance obligation that are unsatisfied (or partially unsatisfied) under the Group's contracts, was approximately RMB1,352,887,000 and RMB1,652,643,000 respectively.

Management expects that the unsatisfied performance obligations at the end of each reporting period 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

	2022 RMB'000	2021 RMB'000
Bank and other interest income	3,126	9,218
Government grants (note)	6,807	12,935
	9,933	22,153

Note:

Government grants mainly represent subsidies received from the PRC local government authority to the Group for incentive of technology innovation projects and for financing. There are no unfulfilled conditions or contingencies relating to government subsidies.

9. OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Exchange gains, net	1,829	596
Gain on disposal of assets classified as held for sale (note 19)	34,135	–
Loss on disposal of property, plant and equipment	(532)	(114)
(Allowance for)/reversal of allowance for inventories	(11)	835
Written off recognised on deposits and other receivables	(396)	–
Others	750	454
	35,775	1,771

10. FINANCE COSTS

	2022 **RMB'000**	2021 RMB'000
Interest on bank borrowings	**136,250**	104,828
Interest on lease liabilities	**1,594**	1,592
Handling fee	**7,307**	11
	145,151	106,431
Less: Amount capitalised	**(3,325)**	–
	141,826	106,431

Borrowing costs capitalised during the year ended 31 December 2022 arose from the general borrowing pool are calculated by applying an average capitalisation rate of 5.4% per annum to expenditure on qualifying assets.

11. PROFIT BEFORE INCOME TAX

	2022 **RMB'000**	2021 RMB'000
Profit before income tax is arrived at after charging:		
Cost of inventories recognised as expense (note)	**1,585,209**	1,582,811
Auditor's remuneration	**1,650**	1,550
Employee costs (note 12)	**44,916**	49,993
Depreciation charge:		
– Property, plant and equipment	**6,334**	6,582
– Right-of-use assets	**30,684**	20,625
Short-term lease expenses	**3,495**	355

Note:

Cost of inventories recognised as expense for the year ended 31 December 2022 includes staff costs of RMB11,393,000 (2021: RMB14,164,000) and depreciation of RMB3,275,000 (2021:RMB2,934,000), which are also included in the respective total amounts disclosed above for each of these types of expenses.

12. EMPLOYEE COSTS

	2022 RMB'000	2021 RMB'000
Employee costs (including directors' emoluments (note 13)) comprise:		
– Wages and salaries	35,374	37,120
– Contributions on defined contribution retirement plans	5,533	7,269
– Other employee benefits	4,009	5,604
	44,916	49,993

13. DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

Year ended 31 December 2022	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:					
Dr. Tang Liang	–	–	–	–	–
Mr. Zhou Xufeng	–	618	102	–	720
Mr. Hua Wei	–	240	66	–	306
Mr. Ni Xiaofeng	–	204	56	–	260
	–	1,062	224	–	1,286
Independent non-executive directors:					
Ms. Pan Yingli	155	–	–	–	155
Mr. Chen Dewei	155	–	–	–	155
Mr. Zhang Bihong	155	–	–	–	155
	465	–	–	–	465
	465	1,062	224	–	1,751

13. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2021	Fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:					
Dr. Tang Liang	–	–	–	–	–
Mr. Zhou Xufeng	–	600	102	–	702
Mr. Hua Wei	–	240	66	–	306
Mr. Ni Xiaofeng	–	204	56	–	260
	–	1,044	224	–	1,268
Independent non-executive directors:					
Ms. Pan Yingli	149	–	–	–	149
Mr. Chen Dewei	149	–	–	–	149
Mr. Zhang Bihong	150	–	–	–	150
	448	–	–	–	448
	448	1,044	224	–	1,716

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2022 (2021: nil). In addition, none of the directors waived or agreed to waive any emoluments for the year ended 31 December 2022 (2021: nil).

14. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2022 included one (2021: two) directors of the Company, whose emoluments are reflected in the analysis presented in note 13 above. The emoluments payable to the remaining four (2021: three) highest paid individuals for the year ended 31 December 2022 are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowance and other benefits	**876**	2,905
Contributions to retirement benefits schemes	**102**	158
	978	3,063

Their emoluments were within the following bands:

	2022 **No. of** **individuals**	2021 No. of individuals
Nil to Hong Kong Dollars ("HK$") 1,000,000	**4**	2
HK$2,000,001 to HK$2,500,000	**–**	1

The emoluments paid or payable to members of senior management who are not directors were within the following bands:

	2022 **No. of** **individuals**	2021 No. of individuals
Nil to HK$1,000,000	**4**	2
HK$2,000,001 to HK$2,500,000	**–**	1

No emolument was paid by the Group to any of 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 (2021: nil).

15. INCOME TAX EXPENSE

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

	2022 RMB'000	2021 RMB'000
Current tax – PRC Enterprise Income Tax		
– for the year	41,193	35,574
– (over)/under provision in respect of prior years	(457)	4,274
	40,736	39,848
Deferred tax (note 25)	(3,876)	(1,578)
	36,860	38,270

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 BVI, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and BVI.

No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any estimated assessable profit in Hong Kong for the current year and in prior year.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the Group's subsidiaries is calculated based on the statutory tax rate of 25%, except for Ossen Innovation Materials Co. Limited, Ossen (Jiujiang) New Materials Co. Limited, Shanghai Pujiang Cable Co. Limited and Zhejiang Pujiang Cable Co. Limited are recognised as High and New-Tech enterprises according to the PRC tax regulations. These subsidiaries are entitled to a preferential tax rate of 15% for the year ended 31 December 2022 (2021: 15%).

15. INCOME TAX EXPENSE (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before income tax	218,648	253,804
Tax calculated at the applicable statutory tax rate of 25% (2021: 25%)	54,662	63,451
Effect of tax exemptions granted to the PRC subsidiaries	(27,734)	(30,799)
Tax effect of expenses not deductible for tax purposes	22,389	14,596
Tax incentives in respect of research and development expenses available for the PRC subsidiaries	(12,331)	(13,482)
Tax effect of tax losses and temporary difference not recognised	331	230
(Over)/under provision in respect of prior years	(457)	4,274
Income tax expense	36,860	38,270

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 RMB171,304,000 (2021: RMB205,017,000). The weighted average number of ordinary shares used for the purpose of calculating the basic earnings per share for the year ended 31 December 2022 includes the weighted average number of shares issued of 811,032,630 shares (2021: 811,044,000 shares).

(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 RMB171,304,000 (2021: RMB205,017,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and diluted shares from share option scheme (note 39).

16. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share (Continued)

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**171,304**	205,017

	Number of shares 2022	Number of shares 2021
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**811,032,630**	811,044,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	2,871,153
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**811,032,630**	813,915,153

For the purpose of calculating diluted earnings per share for the year ended 31 December 2022, no adjustment has been made as the exercise of the outstanding share options has anti-dilutive effect on the basic earnings per share.

17. DIVIDENDS

The Company has resolved not to recommend any payment of dividend for the year ended 31 December 2022 (2021: nil).

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 2021	128,984	1,462	126,464	6,507	24,539	4,122	292,078
Additions	–	–	61,664	568	1,558	8,129	71,919
Transfer to assets held for sale	–	–	(1,117)	(154)	(129)	–	(1,400)
Disposals	–	–	(24,956)	–	(11,009)	–	(35,965)
At 31 December 2021	128,984	1,462	162,055	6,921	14,959	12,251	326,632
Additions	2,403	–	2,410	248	466	162,108	167,635
Interest capitalised	–	–	–	–	–	3,325	3,325
Disposal	–	–	(2,143)	(224)	(50)	–	(2,417)
Translation adjustment	59	–	–	–	–	–	59
At 31 December 2022	131,446	1,462	162,322	6,945	15,375	177,684	495,234
Accumulated depreciation							
At 1 January 2021	44,520	1,250	106,690	4,366	20,924	–	177,750
Depreciation	4,106	32	21,779	469	821	–	27,207
Eliminated on disposals	–	–	(370)	(147)	(769)	–	(1,286)
Transfer to assets held for sale	–	–	(22,756)	–	(8,132)	–	(30,888)
At 31 December 2021	48,626	1,282	105,343	4,688	12,844	–	172,783
Depreciation	4,596	23	31,339	626	434	–	37,018
Eliminated on disposals	–	–	(1,588)	(215)	(24)	–	(1,827)
At 31 December 2022	53,222	1,305	135,094	5,099	13,254	–	207,974
Net book value							
At 31 December 2022	78,224	157	27,228	1,846	2,121	177,684	287,260
At 31 December 2021	80,358	180	56,712	2,233	2,115	12,251	153,849

At 31 December 2022, the Group's land and buildings and leasehold improvement with an aggregate carrying amount of approximately RMB68,582,000 (2021: RMB73,261,000) were pledged to secure banking facilities granted to the Group (note 29).

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-use assets	Land and buildings RMB'000	Other properties leased for own use RMB'000	Machineries RMB'000
At 1 January 2021	26,954	1,588	–
Additions	–	–	58,229
Depreciation	(837)	(378)	(19,410)
At 31 December 2021	**26,114**	**1,210**	**38,819**
Additions	**–**	**2,403**	**–**
Depreciation	**(756)**	**(814)**	**(29,114)**
Translation adjustment	**–**	**59**	**–**
At 31 December 2022	**25,358**	**2,858**	**9,705**

19. ASSETS HELD FOR SALE

In a prior year, Ossen (Jiujiang) New Materials Co. Limited, one of the subsidiaries of the Group and Jiujiang Economic Development Zone of Ministry of Land and Resources entered into an agreement on compensation for Ossen (Jiujiang) New Materials Co. Limited's assets expropriation with total consideration of RMB51,725,000. Pursuant to the agreement, the assets transfer is expected to be completed within one year from the agreement signing date. The underlying assets related to the assets expropriation are reclassified from property, plant and equipment to assets held for sale whenever the recognition criteria is met. During the year ended 31 December 2022, the assets transfer has been completed, and a gain on disposal of assets classified as held for sale of RMB34,135,000 (note 9) was recognised in profit and loss.

20. INTANGIBLE ASSETS

	Technology know-how RMB'000
Cost	
At 1 January 2021, 31 December 2021 and 2022	6,250
Accumulated depreciation	
At 1 January 2021, 31 December 2021 and 2022	6,250
Net book value	
At 31 December 2022	–
At 31 December 2021	–

21. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Shares of net assets other than goodwill	179,642	193,494
Goodwill	61,505	61,505
	241,147	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%

21. INTERESTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
For the year ended 31 December		
Share of the associates' losses for the year	(13,852)	(10,116)
Share of the associates' other comprehensive income for the year	–	–
Share of the associates' total comprehensive income	(13,852)	(10,116)
Dividends received from associates	–	–
As at 31 December		
Aggregate carrying amount of the Group's interests in associates	179,642	193,494

22. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	512,371	491,178
Work-in-progress	43,501	35,882
Finished goods	6,120	75,739
	561,992	602,799
Less: provision for impairment	(11)	–
	561,981	602,799

23. TRADE AND RETENTION RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	1,439,250	1,218,915
Retention receivables	162,030	142,999
	1,601,280	1,361,914
Less: provision for impairment	(58,972)	(35,310)
	1,542,308	1,326,604
Bill receivables	–	50
	1,542,308	1,326,654

The Group grants a credit period within 0–90 days to its trade customers.

The ageing analysis of the Group's trade and retention receivables (net), based on invoice date, at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	484,107	573,600
Within 4 – 6 months	253,737	223,039
Within 7 – 12 months	394,159	157,442
More than 1 year past due but less than 2 years past due	235,327	304,865
More than 2 years past due but less than 3 years past due	155,286	54,188
More than 3 years past due but less than 5 years past due	17,714	12,437
Over 5 years	1,978	1,033
	1,542,308	1,326,604

The Group recognised impairment loss for trade and retention receivables based on the accounting policy stated in note 4(g)(ii). Further details of the Group's credit policy and credit risk arising from trade and retention receivables are set out in note 43.

23. TRADE AND RETENTION RECEIVABLES (Continued)

The movements in the allowance for impairment of trade and retention receivables during the year are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	35,310	36,407
Impairment loss recognised/(reversed) during the year	23,662	(1,097)
At the end of the year	58,972	35,310

As 31 December 2022, the Group's certain trade and retention receivables of RMB582,947,000 (2021: RMB527,760,000) were pledged to secure banking facilities granted to the Group (note 29).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments (note (i))	1,816,414	2,011,023
Deposits	298,011	322,901
Tax recoverable	1,872	7,294
Other receivables (note (ii))	15,649	12,039
	2,131,946	2,353,257
Less: impairment loss on deposits and other receivables	(6,968)	(7,420)
	2,124,978	2,345,837
Less: non-current portion of deposits	(89,033)	(135,839)
	2,035,945	2,209,998

Notes:

(i) Prepayments comprise prepayments to suppliers for purchases of goods and prepaid operating expenses.

(ii) As at 31 December 2022, except for the amount of RMB12,040,000 due from a third party which is unsecured, interest-bearing at 15% per annum and recoverable within one year, the remaining balance of other receivable is unsecured, interest-free and repayable on demand.

(iii) Deposits and other receivables under current portion as at 31 December 2022 and 2021 were neither past due nor impaired relate to customers for whom there is no recent history of default. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no history of default and are expected to be realised upon their respective expiry dates.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The movements in the allowance for impairment of deposits and other receivables during the year are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	**7,420**	6,303
Impairment loss (reversed)/recognised during the year	**(452)**	1,117
At the end of the year	**6,968**	7,420

25. DEFERRED TAX ASSETS

	Accrued expenses RMB'000	**Others** (note (i)) RMB'000	**Total** RMB'000
At 1 January 2021	2,975	6,940	9,915
Charged to profit for the year	1,412	166	1,578
At 31 December 2021 and 1 January 2022	**4,387**	**7,106**	**11,493**
Charged to profit for the year	**1,721**	**2,155**	**3,876**
At 31 December 2022	**6,108**	**9,261**	**15,369**

Notes:

(i) It mainly represents deferred tax assets arising from provision for impairment loss of trade and retention receivables (note 23) and deposits and other receivables (note 24) at the amounts of RMB58,972,000 and RMB6,968,000 respectively as at 31 December 2022 and at the amounts of RMB35,310,000, and RMB7,420,000 respectively as at 31 December 2021.

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

As at the end of the reporting period, 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 the PRC. The temporary differences associated with investment in subsidiaries in PRC for which deferred tax liabilities have not been recognised for the impact of dividend withholding tax.

In the opinion of the directors, the Group does not have a dividends policy and the undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that the subsidiaries will distribute such earnings to foreign entities in the foreseeable future. Such unremitted earnings amounted to approximately RMB1,689,638,000 as at 31 December 2022 (2021: RMB1,482,107,000).

26. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances (note (a))	**822,609**	607,622
Less: restricted bank deposits (note (b))	**(268,481)**	(234,648)
Cash and cash equivalents	**554,128**	372,974

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

Notes:

(a) At 31 December 2022, the Group's cash and bank balances denominated in RMB amounted to approximately RMB806,815,000 (2021: RMB585,631,000) were not freely convertible into other currencies. Under the PRC 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 the 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.

(b) At 31 December 2022 and 2021, the Group pledged its bank deposits in order to fulfil collateral requirements for bills payables (note 27) and banking facilities of the Group.

27. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**167,891**	173,280
Bills payables	**593,570**	564,486
	761,461	737,766

27. TRADE AND BILLS PAYABLES (Continued)

The ageing analysis of trade payables, based on the invoice date, as of the end of the reporting period, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	68,709	52,453
Within 4 – 6 months	26,212	22,015
Within 7 – 12 months	17,199	60,773
More than 1 year but less than 2 years	40,220	32,477
More than 2 year but less than 3 years	10,916	2,579
More than 3 year but less than 5 years	2,655	977
Over 5 years	1,980	2,006
	167,891	173,280

The Group's trade payables are non-interest bearing and credit periods granted by suppliers normally range from 0 to 90 days.

The ageing analysis of bill payables, based on the invoice date, as of the end of the reporting period, is as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	–	163,320
Within 4 – 6 months	107,700	186,586
Within 7 – 12 months	460,870	174,580
More than 1 year but less than 2 years	–	40,000
More than 2 year but less than 3 years	25,000	–
	593,570	564,486

At 31 December 2022, bills payables of RMB432,870,000 (2021: RMB494,166,000) were secured by the Group's restricted bank deposits of RMB167,611,000 (2021: RMB191,270,000) (note 26).

28. CONTRACT LIABILITIES

The movement in contract liabilities during the year is as follows:

	2022 RMB'000	2021 RMB'000
Balance as at 1 January	**59,147**	155,807
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(47,121)**	(148,155)
Increase in contract liabilities as a result of receipt in advance from customers during the year	**43,460**	51,495
Balance at 31 December	**55,486**	59,147

The Group requests the customers to pay advance consideration which is recognised as contract liabilities until the production activity is completed and the customers take possession of the products and tile has been passed. The Group will recognise the expected revenue in future when such performance obligations are satisfied.

Revenue recognised in relation to contract liabilities during the year is as follows:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year		
Manufacture, installation and sale of cables	**46,980**	145,946
Manufacture and sale of customised prestressed steel materials	**141**	2,209
	47,121	148,155

29. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Current		
Secured interest-bearing		
– bank borrowings	1,699,667	1,554,109
– bank borrowings which contain a repayment on demand clause	418,194	407,110
	2,117,861	1,961,219
Non-current		
Secured interest-bearing		
– bank borrowings due for repayment after one year	94,000	57,487
	2,211,861	2,018,706

None of the portion of bank borrowings due for repayment after one year which contain a repayment on demand clause (and therefore classified as current liability) is expected to be settled within one year.

At the end of the reporting period, bank borrowings were scheduled to be repaid and ignore the effect of any repayment on demand clause as follows:

	2022 RMB'000	2021 RMB'000
Within one year	1,853,656	1,921,219
More than one year, but not exceeding two years	179,766	97,487
More than two years, but not exceeding five years	178,439	–
	2,211,861	2,018,706

At 31 December 2022, the bank borrowings of the Group were interest bearing at fixed rates ranging from 3.7% to 5.8% per annum in aggregate amounted to RMB1,311,739,000 (2021: 4.3% to 5.6% per annum in aggregate amounted to RMB1,009,536,000) and floating rates ranging from 4.3% to 10.0% per annum in aggregate amounted to RMB900,122,000 (2021: 3.85% to 10.00% per annum in aggregate amounted to RMB1,009,170,000).

Included in the amount as at 31 December 2022 was the bank borrowings denominated in USD of RMB228,445,000 (2021: RMB286,669,000).

29. BANK BORROWINGS (Continued)

The bank borrowings are secured by:

(a) certain land and buildings included in property, plant and equipment (note 18) and trade and retention receivables (note 23);

(b) as at 31 December 2022, the bank borrowings are secured by personal guarantees executed by Dr. Tang Liang and Mr. Hua Wei, both are executive directors of the Company, and corporate guarantees given by the independent third parties, ultimate holding company and the subsidiaries of the Group as follows:

Jiangxi Province Financing Guarantee Group Co. Ltd.,
Shanghai Zhaoyang New Metal Material Co. Ltd.,
Maanshan Pubang Financing Guaranty Co. Ltd.,
Elegant Kindness Limited,
Top Innovation Enterprises Limited,
New Ossen Group Limited,
Ossen Innovation Co. Ltd.,
Ossen Innovation Materials Group Co. Ltd.,
Topchina Development Group Limited,
Ossen Group (Asia) Co. Limited,
Ossen Group Co. Limited,
International Supconductor Holdings Limited,
Shanghai Xiong Ao Investment Co. Ltd.,
Chao Ao Investment Shanghai Co. Ltd.,
Shanghai Pujiang Cable Co. Limited,
Zhejiang Pujiang Cable Co. Limited,
Shanghai Pujiang Cable Installation Engineering Co. Limited,
Pujiang International Group Limited,
Ossen (Jiujiang) New Materials Co. Limited,
Ossen Innovation Materials Co. Limited, and
Shanghai Square Iron & Steel Co. Ltd.

29. BANK BORROWINGS (Continued)

(c) as at 31 December 2021, the bank borrowings are secured by personal guarantees executed by Dr. Tang Liang and Mr. Hua Wei, both are executive directors of the Company, and corporate guarantees given by the independent third parties, ultimate holding company and the subsidiaries of the Group as follows:

Shanghai Zhaoyang New Metal Material Co. Ltd.,
Maanshan Pubang Financing Guaranty Co. Ltd.,
Shanghai Square Iron & Steel Co. Ltd.,
Elegant Kindness Limited,
Top Innovation Enterprises Limited,
Acme Innovation Limited,
Ossen Innovation Co. Ltd.,
Ossen Innovation Materials Group Co. Ltd.,
Topchina Development Group Limited,
Ossen Group (Asia) Co. Limited,
Ossen Group Co., Limited,
International Supconductor Holdings Limited,
Shanghai Xiong Ao Investment Co. Ltd.,
Chao Ao Investment Shanghai Co. Ltd.,
Shanghai Pujiang Cable Co. Limited,
Zhejiang Pujiang Cable Co. Limited,
Shanghai Pujiang Cable Installation Engineering Co. Limited,
Pujiang International Group Limited, and
Ossen (Jiujiang) New Materials Co. Limited

30. AMOUNTS DUE TO RELATED COMPANIES

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

31. LEASES

The Group has interests in leasehold and land building where the Group is the registered owner of the property interest. Also, the Group leased its office premises in the jurisdictions from which it operates with terms of two to nine years. The periodic rent is fixed over the lease term.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2022 RMB'000	2021 RMB'000
Ownership interests in leasehold land and buildings, carried at depreciated cost with remaining lease term of:		
– 50 years or more	**25,358**	26,114
Other properties leased for own use, carried at depreciated cost	**2,858**	1,210
Machineries, carried at depreciated cost	**9,705**	38,819

(b) Lease liabilities

	RMB'000
At 1 January 2021	1,712
Additions	58,229
Interest expenses (note 10)	1,592
Lease payments	(20,069)
At 31 December 2021	41,464
Additions	2,403
Interest expenses (note 10)	1,594
Lease payments	(30,335)
Translation adjustment	60
At 31 December 2022	15,186

For the year ended 31 December 2022, the total cash payments for the Group's lease arrangements (including repayment of lease liabilities) amounting to RMB33,830,000 (2021: RMB20,424,000).

31. LEASES (Continued)

(b) Lease liabilities (Continued)

Future lease payments are due as follows:

At 31 December 2022	Minimum lease payments RMB'000	Interest RMB'000	Present value RMB'000
Not later than one year	13,836	(343)	13,493
Later than one year and not later than two years	1,826	(133)	1,693
	15,662	(476)	15,186

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

The present value of future lease payments are analysed as:

	2022 RMB'000	2021 RMB'000
Current liabilities	13,493	28,192
Non-current liabilities	1,693	13,272
	15,186	41,464

32. SHARE CAPITAL

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

	Number	RMB'000
Issued and fully paid		
At 1 January 2021, 31 December 2021 and 2022	811,044,000	7,138

During the year ended 31 December 2022, the Company repurchased an aggregate of 1,150,000 of its own shares on the Stock Exchange at total consideration plus transaction costs of RMB602,000.

As at 31 December 2022, all the repurchased shares have not yet been cancelled by the Company and the total repurchase costs amounting to RMB602,000 was settled and the corresponding amount was included in treasury shares in the Company's equity. These 1,150,000 treasury shares have been subsequently cancelled on 19 January 2023.

Subsequent to the end of the reporting period, the Company further repurchased 1,014,000 shares of its own ordinary shares on the Stock Exchange at total cash consideration plus transaction costs amounting to RMB491,000. All these repurchased shares have been cancelled on 19 January 2023.

33. RESERVES

(a) The Group

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

(b) The Company

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

	Share premium RMB'000	Treasury shares RMB'000	Share-based payment reserves RMB'000	Translation reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	465,016	–	47,688	(24,158)	(110,274)	378,272
Loss for the year	–	–	–	–	(30,007)	(30,007)
Exchange difference arising on translation of foreign operations	–	–	–	(22,324)	–	(22,324)
Final dividend in respect of 2020	(33,666)	–	–	–	–	(33,666)
At 31 December 2021 and 1 January 2022	431,350	–	47,688	(46,482)	(140,281)	292,275
Loss for the year	–	–	–	–	(44,541)	(44,541)
Exchange difference arising on translation of foreign operations	–	–	–	9,886	–	9,886
Lapsed share options	–	–	(18,670)	–	18,670	–
Repurchase of shares	–	(602)	–	(99)	–	(701)
At 31 December 2022	431,350	(602)	29,018	(36,695)	(166,152)	256,919

33. RESERVES (Continued)

(c) The nature and purpose of each reserve are as follows:

Type of reserves	Description and purpose
Share premium	Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay of its debts as they fall due in the ordinary course of business.
Share-based payment reserve	The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group which is recognised in accordance with the accounting policy adopted for equity-settled share-based payments as disclosed in note 4(n) to the consolidated financial statements.
Treasury Shares	Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.
Capital reserve	(i) Capital injection in excess of the registered capital of Shanghai Pujiang Cable Co. Limited, Ossen Innovation Materials Co. Limited and Ossen (Jiujiang) New Materials Co. Limited, the subsidiaries of the Group. (ii) An amount due to Ossen Innovation Co. Ltd. ("OSN") which originally owns 100% equity interests of Topchina Development Group Ltd. ("Topchina"), was waived and regarded as capital contribution when the Group's reorganisation and the carve-out of Topchina from OSN was completed, and the liability has been deemed as capital reserve. (iii) In September 2021, the privatisation of OSN was completed and OSN became a wholly-owned subsidiary of the Company. The transaction was accounted for as an equity transaction with the non-controlling interests (note 34(b)).
Statutory reserve	Pursuant to the 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 the PRC subsidiaries acquired pursuant to the Group's reorganisation for listing.
Translation reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Retained earnings/ Accumulated losses	Cumulative net gains and loss recognised in profit and loss.

34. NON-CONTROLLING INTERESTS

Information of non-wholly owned subsidiary of the Group that have non-controlling interests which are not material, are follows:

Name of subsidiary	
Shanghai Pujiang Cable Co. Limited and its subsidiaries ("PJ Group")	**1.48%**
Ossen Innovation Materials Co. Limited	**19.00%**
Ossen (Jiujiang) New Materials Co. Limited	**3.89%**

(a) Summary of non-controlling interests:

	2022 RMB'000	2021 RMB'000
As at 31 December		
Accumulated non-controlling interests:		
PJ Group	**15,324**	12,951
Ossen Innovation Materials Co. Limited	**71,649**	65,552
Ossen (Jiujiang) New Materials Co. Limited	**20,782**	18,768
Other than the above subsidiaries	**(565)**	(565)
	107,190	96,706
For the year ended 31 December		
Profit/(loss) for the year allocated to non-controlling interests:		
PJ Group	**2,373**	3,037
Ossen Innovation Materials Co. Limited	**6,097**	6,202
Ossen (Jiujiang) New Materials Co. Limited	**2,014**	1,287
Other than the above subsidiaries	**–**	(9)
	10,484	10,517

34. NON-CONTROLLING INTERESTS (Continued)

(b) On 17 December 2020, OSN, a subsidiary of the Company which had its American depositary shares ("ADS") listed on the NASDAQ Stock Market in the United States with 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 OSN was 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 OSN, with the remaining 34.1% of the issued share capital held by public shareholders by way of ADS. Upon completion of merger, OSN has been privatised and becomes a wholly-owned subsidiary of the Company.

On 9 September 2021, the Group has completed the merger. Following the privatisation, the Group owned 100% ownership interests of OSN. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

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

35. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Investment in subsidiaries		623,831	618,872
Property, plant and equipment		1,862	–
		625,693	618,872
Current assets			
Other receivables		12,040	–
Cash and cash equivalents		14,929	21,037
		26,969	21,037
Current liabilities			
Other payables and accruals		2,280	–
Amounts due to subsidiaries		155,956	53,826
Bank borrowings		228,455	286,670
Lease liabilities		1,177	–
		387,868	340,496
Net current liabilities		(360,899)	(319,459)
Non-current liabilities			
Lease liabilities		737	–
NET ASSETS		264,057	299,413
Capital and reserves			
Share capital	32	7,138	7,138
Reserves	33	256,919	292,275
TOTAL EQUITY		264,057	299,413

On behalf of the directors

Tang Liang **Zhou Xufeng**

36. INVESTMENT IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company 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	BVI, 28 May 2018, limited liability company	100%	–	USD50,000	Investment holding, BVI
Ossen Innovation Co., Ltd.	BVI, 21 January 2010, limited liability company	–	100%	USD50,000	Investment holding, BVI
Ossen Innovation Materials Group Co., Limited	BVI, 30 April 2010, limited liability company	–	100%	USD50,000	Investment holding, BVI
Ossen Group (Asia) Co. Limited* (奧盛集團(亞洲)有限公司)	BVI, 7 February 2002, limited liability company	–	100%	USD50,000	Investment holding, BVI
Topchina Development Group Limited	BVI, 3 November 2004, limited liability company	–	100%	USD50,000	Investment holding, BVI
Ossen Innovation Materials Co. Limited* (奧盛新材料股份有限公司)	PRC, 27 October 2004, limited liability company	–	81%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of customised prestressed steel materials, PRC
Ossen (Jiujiang) New Materials Co. Limited* (奧盛(九江)新材料有限公司)	PRC, 13 April 2005, limited liability company	–	96%	Registered and fully paid capital RMB183,271,074	Manufacture and sales of customised prestressed steel materials, PRC
Top Innovation Enterprises Limited	BVI, 28 May 2018, limited liability company	100%	–	USD50,000	Investment holding, BVI
Ossen Group Co. Ltd.* (奧盛集團有限公司)	Hong Kong, 21 September 2016, limited liability company	–	100%	HK$10,000	Investment holding, BVI
Shanghai Xiong Ao Enterprise Management Co. Ltd.* (上海雄傲企業管理有限公司)	PRC, 5 June 2018, limited liability company	–	99%	Registered capital RMB1,006,985	Dormant

36. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Directly	Indirectly		
Shanghai Pujiang Cable Co. Limited* (上海浦江纜索股份有限公司)	PRC, 16 August 1994, limited liability company	–	98.52%	Registered and fully paid capital RMB90,000,000	Manufacture, installation and sales of cables, PRC
Zhejiang Pujiang Cable Co. Limited* (浙江浦江纜索有限公司)	PRC, 13 April 2006, limited liability company	–	98.52%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of cable, PRC
Shanghai Pujiang Cable Installation Engineering Co. Limited* (上海浦江纜索安裝工程有限公司)	PRC, 28 July 2011, limited liability company	–	98.52%	Registered and fully paid capital RMB5,000,000	Provision of installation services, PRC
International Superconductor Holdings Limited (國際超導控股有限公司)	HK, 7 August 2019, limited liability company	100%	–	HK$500,000,000	Investment holding, HK
Chao Ao Investment Shanghai Co. Ltd. (超傲投資(上海)有限公司)	PRC, 29 September 2019, limited liability company	–	100%	USD70,000,000	Dormant
New Ossen Group Limited	BVI, 11 November 2020, limited liability company	100%	–	USD50,000	Dormant
Deluxe Precision Limited	BVI, 27 November 2020, limited liability company	100%	–	USD50,000	Dormant
Shanghai Pride Group Limited (申傲集團有限公司)	HK, 18 August 2020, limited liability company	100%	–	HK$10,000	Dormant
Long Ao Investment Shanghai Holdings Limited* (隆傲投資(上海)有限公司)	PRC, 20 October 2020, limited liability company	–	100%	USD50,000,000	Dormant
Harvest Front Limited	BVI, 3 April 2020, limited liability company	–	100%	USD1	Dormant

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

None of the subsidiaries had issued any debt securities at the end of the year (2021: nil).

37. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of liabilities arising from financing activities:

	Bank borrowings (note 29) RMB'000	**Lease liabilities** (note 31) RMB'000
At 1 January 2021	1,640,400	1,712
Changes from cash flows:		
Proceeds from new bank loans	2,016,740	–
Repayment of bank loans	(1,638,434)	–
Repayment of principal of lease liabilities	–	(18,477)
Repayment of interest of lease liabilities	–	(1,592)
Interest and handling fee paid	(104,839)	–
Total changes from financing cash flows	273,467	(20,069)
Other changes:		
Increase in lease liabilities from entering into new leases	–	58,229
Interest expenses (note 10)	104,839	1,592
At 31 December 2021	**2,018,706**	**41,464**
Changes from cash flows:		
Proceeds from new bank loans	**2,234,558**	**–**
Repayment of bank loans	**(2,063,905)**	**–**
Repayment of principal of lease liabilities	**–**	**(28,741)**
Repayment of interest of lease liabilities	**–**	**(1,594)**
Interest and handling fee paid	**(143,557)**	**–**
Total changes from financing cash flows	**27,096**	**(30,335)**
Translation adjustment	**22,502**	**60**
Other changes:		
Increase in lease liabilities from entering into new leases	**–**	**2,403**
Interest expenses (note 10)	**143,557**	**1,594**
At 31 December 2022	**2,211,861**	**15,186**

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, there are no related party transactions for the year ended 31 December 2022 (2021: nil).

The key management personnel of the Group represent directors and senior management of the Group. Details of the remuneration paid to them during the year are set out in note 13.

39. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholders of the Company on 24 April 2019, the shareholders of the Company approved the adoption of a share option scheme (the "Share Option Scheme"). The maximum term of the options granted is 10 years from the date of offer. The exercise price of the options granted is set as the Stock Exchange closing price of the Company's shares on the date of the offer. The Share Option Scheme is deemed to be an equity-settled share based remuneration scheme for employees and directors of the Group, and employees of the associate. The Share Option Scheme will be valid and effective for a period of 10 years commencing from 28 May 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.

Movements in share options to subscribe for ordinary shares in the Company under the Share Option Scheme are as follows:

	Weighted average exercise price 2022 HK$	**Number 2022**	Weighted average exercise price 2021 HK$	Number 2021
Outstanding at beginning of the year	**3.11**	**42,000,000**	3.11	42,000,000
Lapsed on 17 February 2022	**3.09**	**(10,000,000)**	–	–
Lapsed on 26 April 2022	**3.08**	**(2,520,000)**	–	–
Outstanding at the end of the year	**3.08**	**29,480,000**	3.11	42,000,000
Exercisable at the end of the year	**3.08**	**29,480,000**	3.11	42,000,000

The exercise price of options outstanding at the end of the year was HK$3.08 (2021: HK$3.11) and their weighted average remaining contractual life as at 31 December 2022 is 7 years (2021: 8 years).

40. CAPITAL COMMITMENTS

	2022 RMB'000	2021 RMB'000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	**555**	166,653

41. 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 and support the Group's financial stability and growth.

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.

The Group monitors capital using a gearing ratio, which is total debts divided by total capital plus total debt. Total debts are calculated as trade and bills payables, other payables and accruals, bank borrowings and amounts due to related companies. Capital includes equity attributable to owners of the Company.

	2022 RMB'000	2021 RMB'000
Total debts	**3,158,353**	3,019,208
Equity attributable to the owners of the Company	**2,223,427**	2,072,722
Total debts and equity	**5,381,780**	5,091,930
Gearing ratio	**58.7%**	59.3%

42. SUMMARY OF FINANCIAL INSTRUMENTS BY CATEGORY

The following table shows the carrying amount of each of the financial instruments:

	2022 RMB'000	2021 RMB'000
Financial assets at amortised cost		
– Trade and retention receivables	**1,542,308**	1,326,654
– Deposits and other receivables	**306,692**	327,520
– Restricted bank deposits	**268,481**	234,648
– Cash and cash equivalents	**554,128**	372,974
	2,671,609	2,261,796
Financial liabilities at amortised cost		
– Trade and bills payables	**761,461**	737,766
– Other payables and accruals	**185,031**	107,011
– Bank borrowings	**2,211,861**	2,018,706
– Amounts due to related parties	**–**	104,000
	3,158,353	2,967,483
Other financial instruments		
– Lease liabilities	**15,186**	41,464

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and retention receivables, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, bank borrowings and amounts due to related companies. Due to their short term nature, the carrying value of the above financial instruments approximate fair value.

For disclosure purpose, the fair value of lease liabilities is not materially different from their carrying value. The fair value is determined by using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group.

(b) Financial instruments measured at fair value

As at 31 December 2022 and 2021, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

43. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks which comprise credit risk, market risk (including interest rate risk and foreign currency risk), and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors of the Company identify and evaluate risks regularly and formulate strategies to manage financial risks.

Generally, the Group employs a conservative strategy regarding its financial risk management. As the directors consider that the Group's exposure to financial risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant risks to which the Group is exposed to are described below:

(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 and retention receivables, deposits and other receivables) and deposits with banks.

In respect of trade and retention receivables and deposits, the Group's customers are mainly reputable corporations. Also, it is the Group's policy to deal only with creditworthy counterparties, and thus the credit risk on trade and retention receivables, deposits and other receivables is considered to be low.

The Group has a credit policy in place and the exposures to credit risk are monitored on an ongoing basis. 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. Normally the Group does not obtain collateral from the counterparties. In addition, management reviews the recoverable amount of the receivables individually and collectively at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group had certain concentration of credit risk as 39% of the Group's trade and retention receivables as at 31 December 2022 (2021: 38%), was due from the Group's top five largest customers.

In order to minimise 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.

43. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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 ECLs
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECLs – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECLs – 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

For trade and retention receivables, the Group has applied the simplified approach under HKFRS 9 to measure the loss allowance at lifetime ECLs. The Group has assessed expected credit losses by grouping the receivables based on shared credit risk characteristics. The Group estimates the expected credit loss rate by taking into consideration of the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following tables detail the risk profile of trade receivables:

At 31 December 2022	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Collective assessment				
Current	0.9%	488,313	4,205	484,108
Within 3 months	1.5%	257,696	3,960	253,736
Within 4 - 6 months	1.6%	341,645	5,576	336,069
Within 7 - 12 months	1.6%	59,028	937	58,091
Over 12 months	9.7%	454,355	44,051	410,304
Individual assessed for specific debtor	100%	243	243	–
		1,601,280	58,972	1,542,308

43. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

At 31 December 2021	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Collective assessment				
Current	1.1%	579,896	6,294	573,602
Within 3 months	1.0%	225,315	2,245	223,070
Within 4 - 6 months	1.2%	105,341	1,286	104,055
Within 7 - 12 months	0.8%	53,784	428	53,356
Over 12 months	6.3%	397,578	25,057	372,521
		1,361,914	35,310	1,326,604

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition on an ongoing basis throughout the reporting period. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on receivables over the expected life between the reporting date and the date of initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations.

– Actual or expected significant changes in the operating results of the debtors.

– Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group.

– Actual or expected significant adverse change in the regulatory, economic, or technological environment in which the debtor operates that results in a significant change in the debtor's ability to meet its debt obligations.

43. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The Group assesses whether a financial asset is credit-impaired at the end of each reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group makes periodic collective assessments on the recoverability of deposits and other receivables. The credit risk of th Group's deposits and other receivables has not increased significantly since initial recognition and the Group applied the general approach and the ECLs were recognised based on the 12-month ECLs accordingly (note 24).

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.

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.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from bank deposits and bank borrowings.

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.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) Interest rate risk (Continued)

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The directors consider the Group's exposure on bank deposits is not significant as interest-bearing deposits are within short maturity periods in general.

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 Group's profit for the year and retained earnings 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 the end of each reporting period which are subject to variable interest rates. All other variables are held constant. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

	2022 **RMB'000**	2021 RMB'000
If interest rates were 100 basis point higher		
Profit for the year and retained earnings decreased by	**7,994**	9,008
If interest rates were 100 basis point lower		
Profit for the year and retained earnings increased by	**7,994**	9,008

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

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group have no other significant foreign currency risk due to limited foreign currency transactions as the Group mainly operates in the PRC with its business transactions being denominated and settled in RMB.

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities and other financial instruments that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of the settlement of trade and bills payables, other payables and accruals, lease liabilities, bank borrowings, amounts due to related companies, and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policy have been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following table details the Group's remaining contractual maturity for its financial liabilities (including bank borrowings with repayment on demand clause) and other financial instruments, based on the undiscounted cash flows (including interest payments computed using contractual rates or if floating, based on rates ruling at the end of the reporting period) and the earliest date the Group can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 31 December 2022					
Trade and bills payables	**761,461**	**761,461**	**761,461**	**–**	**–**
Other payables and accruals	**185,031**	**185,031**	**185,031**	**–**	**–**
Bank borrowings	**2,211,861**	**2,313,097**	**2,211,753**	**58,798**	**42,546**
Lease liabilities	**15,186**	**15,662**	**13,836**	**1,826**	**–**
	3,173,539	**3,275,251**	**3,172,081**	**60,624**	**42,546**
As at 31 December 2021					
Trade and bills payables	737,766	737,766	737,766	–	–
Other payables and accruals	107,011	107,011	107,011	–	–
Bank borrowings	2,018,706	2,084,195	2,023,613	60,582	–
Amounts due to related companies	104,000	104,000	104,000	–	–
Lease liabilities	41,464	43,312	29,705	13,607	–
	3,008,947	3,076,284	3,002,095	74,189	–

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk (Continued)

At 31 December 2022 and 2021, the aggregate undiscounted principal amounts of bank loans amounted to approximately RMB418,194,000 and RMB407,110,000 respectively which contain a repayment on demand clause. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks 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:

	Within 12 months RMB'000	In 1 to 2 years RMB'000	In 2 to 5 years RMB'000	Total RMB'000
Bank borrowings				
At 31 December 2022	**182,644**	**139,364**	**149,355**	**471,363**
At 31 December 2021	384,769	11,917	30,460	427,146

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2022 were approved and authorised for issue by the directors on 29 March 2023.