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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

The table below set out the pre-acquisition statements of profit or loss and other comprehensive income of Guangyuan Tongchuang for FY2017, FY2018 and up to 15 April 2019 which was extracted from the Note 37 to Appendix I to this prospectus:

	<b>FY2017</b>	<b>FY2018</b>	<b>Period ended 15 April 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(Note)</i>
Revenue	78,299	189,068	50,611
Cost of sales	<u>(76,305)</u>	<u>(178,514)</u>	<u>(47,053)</u>
Gross profit	1,994	10,554	3,558
Other income and gains	105	839	251
Selling and distribution expenses	(89)	(2,033)	(690)
Administrative and other expenses	(1,457)	(4,172)	(1,243)
Finance costs	<u>(241)</u>	<u>(685)</u>	<u>(301)</u>
Profit before income tax expenses	312	4,503	1,575
Income tax expense	<u>(48)</u>	<u>(640)</u>	<u>(237)</u>
<b>Profit and total comprehensive income for the year/period</b>	<u><u>264</u></u>	<u><u>3,863</u></u>	<u><u>1,338</u></u>

*Note:* Tongchuang Equity Acquisition was completed on 15 April 2019, after which we have consolidated the account of Guangyuan Tongchuang into our consolidated financial statements.

**DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME****Revenue**

Guangyuan Tongchuang is principally engaged in the manufacturing and sales of aluminium wires and cables for external customers and our Group mainly on OEM basis. During FY2017 and FY2018, Guangyuan Tongchuang also engaged in trading of aluminium strips and copper rods. Its revenue mainly represented the amount received and receivable in respect of the sales of wires and cables and sales of copper and aluminium products.

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Following the commencement of production in September 2017 and its full year operation in FY2018, the revenue of Guangyuan Tongchuang increased by RMB110.8 million, or 141.5%, from RMB78.3 million for FY2017 to RMB189.1 million for FY2018. For the period ended 15 April 2019, Guangyuan Tongchuang generated a revenue of RMB50.6 million.

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang's sales to us amounted to RMB45.9 million, RMB94.5 million and RMB28.0 million respectively, representing 58.6%, 50.0% and 55.4% of its total revenue respectively.

### Revenue by type of products

The following table sets out a breakdown of revenue, sales volume and average selling price by type of products for the indicated periods:

	FY2017			FY2018			Period ended 15 April 2019			
	Unit (Note 2)	Sales Volume	Average selling price	Total sales	Sales Volume	Average selling price	Total sales	Sales Volume	Average selling price	Total sales
			(Note 1) RMB per km/tonne			(Note 1) RMB per km/tonne			(Note 1) RMB per km/tonne	
<b>Finished wires and cables</b>										
Copper power cables (銅製電力電纜) (Note 3, 5)	km	—	—	—	5	44,800	224	0.15	46,667	7
Steel reinforced aluminium bare cables (鋁製鋼芯鋁絞線)	tonne	830	13,542	11,240	6,332	12,348	78,190	3,875	12,343	47,831
Aluminium overhead power cables (鋁製架空電纜)	km	55	9,145	503	4,342	4,348	18,877	744	3,558	2,647
Aluminium medium and low voltage power cables (鋁製中低壓電力電纜)	km	19	19,579	372	95	20,663	1,963	2	28,500	57
Aluminium wires for electrical equipment (鋁製電氣裝備用電線)	km	219	5,726	1,254	624	2,923	1,824	—	—	—
<b>Subtotal (finished wires and cables)</b>				<b>13,369</b>			<b>101,078</b>			<b>50,542</b>
<b>Semi-finished wires</b>										
Bare aluminium wires (鋁線)	tonne	—	—	—	4,556	12,914	58,836	6	11,500	69
<b>Copper and aluminium products</b>										
Copper rods (銅桿) (Note 3, 4)	tonne	373	45,794	17,081	344	45,500	15,652	—	—	—
Aluminium strips (鋁卷) (Note 3)	tonne	3,535	13,536	47,849	448	12,855	5,754	—	—	—
<b>Subtotal (copper and aluminium products)</b>				<b>64,930</b>			<b>21,406</b>			<b>—</b>
<b>Others</b>										
Cable accessories (電纜配套設備) (Note 6)		N/A	N/A	—	N/A	N/A	7,748	N/A	N/A	—
<b>Total revenue</b>				<b>78,299</b>			<b>189,068</b>			<b>50,611</b>

Notes:

1. Average selling price is derived from actual sales amount rounded to the nearest thousands divided by actual sales volume, while total sales is rounded to the nearest thousands.
2. Length (km) and weight (tonne) are two major measurements of units generally adopted by the market in accordance with the national standard.

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3. During the Track Record Period, Guangyuan Tongchuang engaged in trading of copper power cables, copper rods and aluminium strips without manufacturing and processing. Per mutual agreement between the shareholders of Guangyuan Tongchuang, the mark up of the trading products sold to our Group was (i) at least RMB300 per tonne for aluminium products; and (ii) at least RMB400 per tonne for copper products, with credit period no longer than 60 days. As the sales volume of aluminium cables and wires increased significantly in FY2018, Guangyuan Tongchuang ceased the trading of aluminium strips and copper rods in March 2018 and May 2018 respectively.
4. The amount of copper rods sold by Guangyuan Tongchuang represented the copper materials purchased by Sichuan Saftower from Guangyuan Tongchuang for manufacturing and processing of copper wires and cables.
5. During the Track Record Period, Guangyuan Tongchuang purchased copper power cables from Sichuan Saftower for its Guangyuan Tongchuang's OEM customers.
6. Cables accessories sold were in measurement of various units subject to the requirements from customers, therefore average selling price was not applicable.

The increase in revenue for FY2018 was primarily due to (i) the significant increase in sales of finished wires and cables by RMB87.7 million or 6.5 times, from RMB13.4 million for FY2017 to RMB101.1 million for FY2018, mainly contributed by the significant increase in sales of steel reinforced aluminium bare cables and aluminium overhead power cables by RMB67.0 million, (ii) the commencement of sales of semi-finished wires in FY2018 which contributed a revenue of RMB58.8 million for FY2018, and (iii) the sales of cable accessories of RMB7.7 million, partially offset by the decrease in sales of copper and aluminium products by RMB43.5 million or 67.0%, from RMB64.9 million for FY2017 to RMB21.4 million for FY2018.

For the period ended 15 April 2019, Guangyuan Tongchuang generated revenue of RMB50.6 million, of which RMB47.8 million or 94.5% was derived from the sales of steel reinforced aluminium bare cables.

### *Finished wires and cables*

Sales of steel reinforced aluminium bare cables and aluminium overhead power cables contributed the majority of revenue generated from this product segment.

- **Steel reinforced aluminium bare cables**

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang generated a revenue of RMB11.2 million, RMB78.2 million and RMB47.8 million respectively, from sales of steel reinforced aluminium bare cables. The increase of RMB67.0 million, or 6.0 times, for FY2018 was mainly due to the increase in sales volume by 6.6 times. The increase in sales volume from 830 tonnes for FY2017 to 6,332 tonnes for FY2018 was mainly attributable to (i) the increase in provision of subcontracting services to Sichuan Saftower by 4,417 tonnes from 785 tonnes for FY2017 to 5,202 tonnes for FY2018, mainly as a result of our significant sales order received from two new customers during FY2018 including Customer B, and (ii) the sales to a new OEM customer, Customer C, which is a wire and cable manufacturer located in Hangzhou city, contributed a sales of 945 tonnes steel reinforced aluminium bare cables in FY2018. The average selling

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price decreased by 8.8%, from RMB13,542/tonne for FY2017 to RMB12,348/tonne for FY2018, was mainly attributable to the decrease in market price of aluminium. The average selling price then remained relatively stable at RMB12,343/tonne for the period ended 15 April 2019.

- Aluminium overhead power cables

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang generated a revenue of RMB0.5 million, RMB18.9 million and RMB2.6 million respectively, from sales of aluminium overhead power cables. The increase of RMB18.4 million for FY2018 was mainly due to the increase in sales volume, partially offset by the decrease in average selling price. The increase in sales volume from 55 km for FY2017 to 4,348 km for FY2018 was mainly attributable to (i) the increase in provision of subcontracting services to Sichuan Saftower by 2,504 km from 55 km for FY2017 to 2,559 km for FY2018; and (ii) the sales to a new OEM customers which is engaged in the manufacturing and sales of wires and cables and located in Shandong Province, contributed a total sales of 1,781 km aluminium overhead power cables in FY2018. The average selling price decreased by 52.5% from RMB9,145/km for FY2017 to RMB4,348/km for FY2018, and further decreased to RMB3,558/km for the period ended 15 April 2019, was mainly attributable to the decrease in sales of aluminium overhead power cables with voltage of 10kV which carried a higher average price than that of 1kV.

### *Semi-finished wires*

- Bare aluminium wires

Since early 2018, Guangyuan Tongchuang commenced its production of bare aluminium wires and generated a revenue of RMB58.8 million and RMB69,000 for FY2018 and the period ended 15 April 2019, respectively. For FY2018, among the customers of Guangyuan Tongchuang, Tibet Ecommerce Co., Ltd.\* (西藏電子商務有限公司) was a new customer which engaged in construction materials trading business, contributed to the sales of 4,541 tonnes bare aluminium wires, amounted to RMB58.6 million, representing 99.7% of revenue derived from this product segment. For the period ended 15 April 2019, Guangyuan Tongchuang recorded no sales to this customer.

### *Copper and aluminium products*

- Copper rods

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang generated a revenue of RMB17.1 million, RMB15.7 million and nil respectively, from trading of copper rods to Sichuan Saftower. For FY2017 and FY2018, the sales volume and average selling price of copper rods remained relatively stable. Since May 2018, Guangyuan Tongchuang ceased the trading of copper rods as the sales volume of aluminium cables and wires increased significantly in FY2018 and occupied the resources of Guangyuan Tongchuang.

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- Aluminium strips

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang generated a revenue of RMB47.9 million, RMB5.8 million and nil, from trading of aluminium strips. Since March 2018, Guangyuan Tongchuang ceased the trading of aluminium strips as the sales volume of aluminium cables and wires increased significantly in FY2018 and occupied the resources of Guangyuan Tongchuang.

*Others*

- Cable accessories

Guangyuan Tongchuang also sold cable accessories during FY2018, which amounted to RMB7.7 million, to Litai Energy to facilitate their use and installment of cables and for replacement of their cable equipment.

*Revenue by type of customers*

The following table sets out the revenue of Guangyuan Tongchuang by type of customers for the indicated periods:

	FY2017		FY2018		Period ended 15 April 2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Sichuan Saftower	29,767	38.0	93,108	49.3	28,018	55.4
Guangyuan Saftower	16,134	20.6	1,365	0.7	—	—
Sub-total	45,901	58.6	94,473	50.0	28,018	55.4
External customers <sup>(Note)</sup>	32,398	41.4	94,595	50.0	22,593	44.6
	<u>78,299</u>	<u>100.0</u>	<u>189,068</u>	<u>100.0</u>	<u>50,611</u>	<u>100.0</u>

*Note:* External customers mainly include wires and cables manufacturers.

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang mainly engaged in providing OEM manufacturing of finished aluminium wires and cables and trading of copper and aluminium products to external customers and our Group. Sichuan Saftower engaged Guangyuan Tongchuang mainly for subcontracting of finished aluminium wires and cables and sourcing of copper products for further processing of copper wires and cables, and Guangyuan Saftower engaged Guangyuan Tongchuang mainly for sourcing of aluminium products for its trading business.

As illustrated in the table above, the increase in revenue of Guangyuan Tongchuang for FY2018 was mainly due to (i) the increase in sales to Sichuan Saftower because of its increased sales which drove the demand for the subcontracting services provided by Guangyuan Tongchuang, and (ii) the increase in sales to external customers, mainly

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attributable to the significant sales to new customers approached after the commencement of commercial production and operation, and its full year operation in FY2018. Among the customers of Guangyuan Tongchuang for FY2018, the five largest customers, except for our Group (the largest), are all new customers (including Company A), altogether contributed a revenue of RMB87.9 million, or 46.5% of total revenue, to Guangyuan Tongchuang in FY2018. Such increase was partially offset by the decrease in sales to Guangyuan Saftower. It was mainly because Guangyuan Tongchuang ceased the trading of aluminium strips, and expanded its OEM business in view of expanded customer base and terminated the trading business to retain sufficient financial resources for purchase of aluminium materials for manufacturing and further processing of aluminium wires and cables as evidenced by the significantly increased sales volume of aluminium cables and wires in FY2018.

### Cost of sales

The following table sets forth the breakdown of the cost of sales of Guangyuan Tongchuang for the indicated periods:

	FY2017		FY2018		Period ended 15 April 2019	
	RMB'000	%	RMB'000	%	RMB'000	%
Aluminium material	9,580	12.6	130,526	73.1	39,319	83.6
Copper product <sup>(Note 1)</sup>	16,953	22.2	15,496	8.7	—	—
Aluminium product <sup>(Note 2)</sup>	46,646	61.1	5,638	3.1	—	—
Steel wires	1,292	1.7	10,701	6.0	4,923	10.5
Staff cost	353	0.5	1,922	1.1	482	1.0
Others <sup>(Note 2)</sup>	1,481	1.9	14,231	8.0	2,329	4.9
	<u>76,305</u>	<u>100.0</u>	<u>178,514</u>	<u>100.0</u>	<u>47,053</u>	<u>100.0</u>

Notes:

- (1) It mainly represented copper products sourced for Sichuan Saftower for further processing of copper wires and cables. Such transaction ceased in May 2018.
- (2) It mainly represented aluminium products sourced for trading with external customers and our Group. Such transaction ceased in March 2018.
- (3) Others mainly include PVC and other materials, depreciation, utilities, etc.

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang's cost of sales comprised 97.5%, 94.4% and 93.0% of its revenue, respectively. For FY2017, Guangyuan Tongchuang was principally engaged in trading of aluminium strips and hence aluminium product was a major cost component. Cost of sourcing aluminium product became less significant in FY2018 as sales of aluminium strips decreased significantly. During FY2018 and the period ended 15 April 2019, aluminium material was the major cost of sales for the corresponding periods as Guangyuan Tongchuang was principally engaged in the manufacturing and sale of finished aluminium wires and cables for us and external customers on OEM basis.

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**Gross profit and gross profit margin**

	FY2017		FY2018		Period ended 15 April 2019	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Sichuan Saftower	859	2.9	4,818	5.2	1,432	5.1
Guangyuan Saftower	306	1.9	(9)	N/A	—	—
Sub-total	1,165	2.5	4,809	5.1	1,432	5.1
External customers <i>(Note)</i>	829	2.6	5,745	6.1	2,126	9.4
	<u>1,994</u>	<u>2.5</u>	<u>10,554</u>	<u>5.6</u>	<u>3,558</u>	<u>7.0</u>

*Note:* External customers mainly include wires and cables manufacturers.

The following table sets forth the gross profit and gross profit margin by type of products:

	FY2017		FY2018		Period ended 15 April 2019	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
<b>Finished wires and cables</b>						
Copper power cables (銅製電力電纜)	—	—	10	4.5	0.13	1.9
Steel reinforced aluminium bare cables (鋁製鋼芯鋁絞線)	447	4.0	3,888	5.0	3,053	6.4
Aluminium overhead power cables (鋁製架空電纜)	90	17.9	3,145	16.7	489	18.5
Aluminium medium and low voltage power cables (鋁製中低壓電力電纜)	27	7.3	162	8.3	12	21.1
Aluminium wires for electrical equipment (鋁製電氣裝備用電線)	99	7.9	184	10.1	—	—
<b>Subtotal (finished wires and cables)</b>	<b>663</b>	<b>5.0</b>	<b>7,389</b>	<b>7.3</b>	<b>3,554</b>	<b>7.0</b>
<b>Semi-finished wires</b>						
Bare aluminium wires (鋁線)	—	—	1,392	2.4	4	5.8
<b>Copper and aluminium products</b>						
Copper rods (銅桿)	128	0.7	157	1.0	—	—
Aluminium strips (鋁卷)	1,203	2.5	116	2.0	—	—
<b>Subtotal (copper and aluminium products)</b>	<b>1,331</b>	<b>2.0</b>	<b>273</b>	<b>1.3</b>	<b>—</b>	<b>—</b>
<b>Others</b>						
Cable accessories (電纜配套設備)	—	—	1,500	19.4	—	—
<b>Total/overall</b>	<b><u>1,994</u></b>	<b><u>2.5</u></b>	<b><u>10,554</u></b>	<b><u>5.6</u></b>	<b><u>3,558</u></b>	<b><u>7.0</u></b>

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Guangyuan Tongchuang's gross profit increased by RMB8.6 million or 4.3 times from RMB2.0 million in FY2017 to RMB10.6 million in FY2018, and Guangyuan Tongchuang's gross profit margin increased from 2.5% to 5.6% mainly attributable to (i) the full year operation in FY2018; (ii) the economies of scales of production; and (iii) increased purchase orders from OEM customers for finished aluminium wires and cables which carried a higher average selling price and higher gross profit margin as compared to copper and aluminium products with lower profitability as they were trading in nature which contributed the majority of revenue for FY2017. For the period ended 15 April 2019, Guangyuan Tongchuang recorded gross profit of RMB3.6 million and the gross profit margin increased to 7.0% primarily because Guangyuan Tongchuang sold more wires and cables with higher average prices and ceased the trading business of copper and aluminium products.

**Other income and gains**

Other income and gains mainly comprised scrap sales, government grants and subsidies and interest income. For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang recorded other income and gains of RMB0.1 million, RMB0.8 million and RMB0.3 million, respectively. The increase of RMB0.7 million in FY2018 was mainly due to (i) the increase in scrap sales from RMB77,000 for FY2017 to RMB0.6 million for FY2018, as a result of the increase in sales and production of wires and cables which created more scrap metals and consumables, and (ii) a government grants and subsidies of RMB0.2 million.

**Selling and distribution expenses**

Selling and distribution expenses mainly comprised (i) transportation expenses, (ii) staff wages and benefits, and (iii) entertainment and travel. For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang recorded selling and distribution expenses of RMB89,000, RMB2.0 million and RMB0.7 million, respectively. The table below sets the breakdown of selling and distribution expenses of Guangyuan Tongchuang for the indicated periods:

	<b>FY2017</b>	<b>FY2018</b>	<b>Period ended</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>15 April</b>
			<b>2019</b>
			<i>RMB'000</i>
Transportation expenses	6	1,711	598
Staff wages and benefits	43	191	62
Entertainment and travel expenses	26	53	23
Others	14	78	7
	<u>89</u>	<u>2,033</u>	<u>690</u>



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Since the Tongchuang Plant commenced production in September 2017 and only incurred four months operating expenses for FY2017, Guangyuan Tongchuang recorded significant increase in selling and distribution expenses in FY2018 due to its expanded sales of aluminium wires and cables. For FY2018 and the period ended 15 April 2019, transportation expenses accounted for over 80% of the total distribution costs as Guangyuan Tongchuang was responsible for the shipping to customers. For FY2017, the first year after its commencement of commercial operation, Guangyuan Tongchuang was mainly engaged in trading of aluminium strips with a view to develop business relationship with aluminium suppliers, which the delivery of aluminium strips was mainly arranged by its suppliers, and hence its transportation expenses was relatively insignificant.

**Administrative and other expenses**

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang recorded administrative and other expenses of RMB1.5 million, RMB4.2 million and RMB1.2 million, respectively. The table below sets the breakdown of administrative and other expenses of Guangyuan Tongchuang for the indicated periods:

	<b>FY2017</b>	<b>FY2018</b>	<b>Period ended</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>15 April</b>
			<b>2019</b>
			<i>RMB'000</i>
Staff wages and benefits	598	1,833	430
Depreciation	479	1,484	438
Utilities	22	185	105
Entertainment and travel	14	75	24
Legal and professional fees	7	97	63
Repairs and maintenance	13	76	85
Office expenses	24	53	20
Others <i>(Note)</i>	<u>300</u>	<u>369</u>	<u>78</u>
	<u>1,457</u>	<u>4,172</u>	<u>1,243</u>

*Note:* Others administrative expenses mainly included cleaning fees, inspection fees, printing and advertisement.

Since Tongchuang Plant commenced production in September 2017 and only incurred four months operating expenses for FY2017, Guangyuan Tongchuang recorded significant increase in administrative and other expenses in FY2018 due to its full year operation. For FY2017, FY2018 and the period ended 15 April 2019, administrative and other expenses represented 1.9%, 2.2% and 2.5% of total revenue of Guangyuan Tongchuang.

**Finance costs**

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang recorded finance costs of RMB0.2 million, RMB0.7 million and RMB0.3 million, respectively. Finance costs mainly comprised interest expenses on lease liabilities of RMB0.2 million, RMB0.7 million and RMB0.2 million, arising from the properties leased from Guangyuan Saftower respectively, for the corresponding periods.

**Income tax expense**

Under the law of the PRC on EIT Law and implementation Regulation of the EIT Law, the tax rate of Guangyuan Tongchuang was 25%. Guangyuan Tongchuang is subject to 10% income tax concession due to preferential tax policy of the development of the western region fulfilled. According to “Circular on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy” (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) (財稅[2011]58號), from 1 January 2011 to 31 December 2020, the EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang recorded income tax expenses of RMB48,000, RMB0.6 million and RMB0.2 million, respectively, and the effective tax rate remained stable at 15.4%, 14.2% and 15.0%, respectively, for the corresponding periods. The effective tax rates were lower than the 25% statutory tax rate was due to tax concession as discussed above.

**Profit for the year/period**

Due to the combined effect of the aforementioned, Guangyuan Tongchuang recorded net profit of RMB0.3 million, RMB3.9 million and RMB1.3 million, respectively, and net profit margin of 0.3%, 2.0% and 2.6%, respectively, for FY2017, FY2018 and the period ended 15 April 2019. The increase in net profit margin was mainly due to the increase in sales of aluminium wires and cables carrying a higher profit margin than trading of copper and aluminium products.

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**CURRENT ASSETS AND CURRENT LIABILITIES**

The following table sets out details of Guangyuan Tongchuang's current assets and current liabilities as at 31 December 2017, 31 December 2018 and 15 April 2019, which are extracted from the Accountants' Report set out in Appendix I to this prospectus.

	<b>As at 31 December 2017</b>	<b>As at 31 December 2018</b>	<b>As at 15 April 2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current assets</b>			
Inventories	5,030	6,766	16,973
Trade and bills receivables	24,438	51,198	30,427
Prepayments, deposits and other receivables	6,766	5,464	4,873
Amount due from a shareholder	10,000	10,000	10,000
Cash and cash equivalents	919	176	90
	<u>47,153</u>	<u>73,604</u>	<u>62,363</u>
<b>Current liabilities</b>			
Contract liabilities	133	194	3,663
Trade payables	4,380	25,458	12,061
Accruals and other payables	333	895	756
Borrowings	—	1,300	—
Lease liabilities	1,123	1,193	1,211
Income tax payable	48	353	283
	<u>6,017</u>	<u>29,393</u>	<u>17,974</u>
<b>Net current assets</b>	<u>41,136</u>	<u>44,211</u>	<u>44,389</u>

Guangyuan Tongchuang's net current assets increased from RMB41.1 million as at 31 December 2017 to RMB44.2 million as at 31 December 2018. The increase of RMB3.1 million was primarily due to the increase in trade receivables by RMB26.8 million, offset by the increase in trade payables by RMB21.1 million. Such increase in trade receivables and trade payables were mainly as a result of the increased sales and purchases throughout the full year operation in FY2018.

Guangyuan Tongchuang's net current assets remained stable at RMB44.4 million as at 15 April 2019.

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**Inventories**

The following table sets forth the components of its inventories as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	988	2,474	5,164
Work-in-progress	1,930	1,492	11,537
Finished goods	<u>2,112</u>	<u>2,800</u>	<u>272</u>
	<u><u>5,030</u></u>	<u><u>6,766</u></u>	<u><u>16,973</u></u>

Guangyuan Tongchuang's inventories increased from RMB5.0 million as at 31 December 2017 to RMB6.8 million as at 31 December 2018, which is in line with its revenue growth during the corresponding periods. The inventories further increased to RMB17.0 million as at 15 April 2019 which was mainly due to the work-in-progress sales orders of aluminium wires and cables placed by certain OEM customers included but not limited to Customer B and our Group.

Set out below is the inventory turnover days of Guangyuan Tongchuang for the indicated periods:

	<b>Period ended</b>		
	<b>FY2017</b>	<b>FY2018</b>	<b>15 April 2019</b>
Inventory turnover days <sup>(Note)</sup>	<u><u>6</u></u>	<u><u>13</u></u>	<u><u>27</u></u>

*Note:* Guangyuan Tongchuang was incorporated on 14 July 2017 therefore we calculate inventory turnover days by dividing average inventories by cost of sales and multiplied by 171 days, 365 days and 105 days for each of FY2017, FY2018 and period ended 15 April 2019, respectively. Average inventories is calculated by dividing the sum of inventories at the beginning of the period and inventories at the end of the period by two.

Guangyuan Tongchuang's inventory turnover days remained low at 6 days and 13 days for FY2017 and FY2018, and increased to 27 days for the period ended 15 April 2019 primarily due to the increased inventories at work-in-progress stage to fulfil the customer demand as at 15 April 2019.

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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**Trade and bill receivables**

The following table sets forth trade and bill receivables of Guangyuan Tongchuang as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables			
— Due from third parties	86	16,532	11,921
— Due from a related party	<u>24,352</u>	<u>32,666</u>	<u>8,506</u>
	24,438	49,198	20,427
Bills receivables	<u>—</u>	<u>2,000</u>	<u>10,000</u>
	<u><u>24,438</u></u>	<u><u>51,198</u></u>	<u><u>30,427</u></u>

The credit terms granted to customers range generally from nil to 90 days.

As at 31 December 2017, 2018 and 15 April 2019, Guangyuan Tongchuang's trade and bill receivables amounted to RMB24.4 million, RMB51.2 million and RMB30.4 million, respectively, out of which 99.6%, 63.8% and 28.0% are due from a related party for the products sold.

The following table sets forth the turnover days of trade receivables of Guangyuan Tongchuang for the indicated periods:

	<b>FY2017</b>	<b>FY2018</b>	<b>Period ended</b>
			<b>15 April</b>
			<b>2019</b>
Trade receivables turnover days <i>(Note)</i>	27	71	73

*Note:* Guangyuan Tongchuang was incorporated on 14 July 2017 therefore we calculate trade receivable turnover days by dividing average trade receivables by revenue and multiplied by 171 days, 365 days and 105 days for each of FY2017, FY2018 and period ended 15 April 2019, respectively. Average trade receivables is calculated by dividing the sum of trade receivables at the beginning of the period and trade receivables at the end of the period by two.

Guangyuan Tongchuang's trade receivables turnover days increased from 27 days for FY2017 to 71 days for FY2018 and 73 days for the period ended 15 April 2019 primarily due to increased revenue for FY2018 and we allowed longer credit period during such period.

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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An ageing analysis of Guangyuan Tongchuang's trade receivables (before provision) as at the dates indicated, based on the invoice date, is as follows:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	24,438	34,116	14,916
61 days to 180 days	—	15,082	675
181 days to 365 days	—	—	4,836
	<u>24,438</u>	<u>49,198</u>	<u>20,427</u>

An ageing analysis of Guangyuan Tongchuang's trade receivables (net of provision) which are not impaired as at the dates indicated, based on due date, is as follows:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	22,444	29,088	11,348
Past due 1 to 60 days	1,994	20,110	3,568
Past due 61 to 180 days	—	—	5,511
	<u>24,438</u>	<u>49,198</u>	<u>20,427</u>

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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**Prepayments, deposits and other receivables**

Guangyuan Tongchuang's prepayments, payments to suppliers, deposits and other receivables amounted to RMB6.2 million, RMB4.9 million and RMB4.9 million as at 31 December 2017, 2018 and 15 April 2019, respectively. Other receivables mainly comprised value-added tax refundable amounted to RMB3.2 million, RMB1.6 million and RMB3.2 million. The following table sets forth the prepayments, deposits and other receivables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current:			
Prepayments	1,412	1,371	856
Prepayments to suppliers	1,481	1,104	1
Deposits	—	175	175
Other receivables	<u>3,873</u>	<u>2,814</u>	<u>3,841</u>
	<u>6,766</u>	<u>5,464</u>	<u>4,873</u>

**Amount due from a shareholder**

The amounts due from a shareholder are unsecured, non-interest bearing and repayable on demand. Such amount represented the registered capital payable by Mr. Li Zhanwei, amounted to RMB10.0 million, RMB10.0 million and RMB10.0 million, respectively, as at 31 December 2017, 2018 and 15 April 2019.

**Contract liabilities**

Guangyuan Tongchuang contract liabilities represent advance consideration received from customers as at the date indicated.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	<u>133</u>	<u>194</u>	<u>3,663</u>

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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**Trade payables**

The following table sets forth the trade payables as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables			
— Due to third parties	4,380	25,458	11,259
— Due to related parties	<u>—</u>	<u>—</u>	<u>802</u>
	<u>4,380</u>	<u>25,458</u>	<u>12,061</u>

The credit period on purchase from suppliers is generally ranging from nil to 120 days as at the end of each of reporting period.

The following table sets forth the turnover days of trade payables of Guangyuan Tongchuang for the indicated periods:

	<b>FY2017</b>	<b>FY2018</b>	<b>Period ended</b>
			<b>15 April</b>
			<b>2019</b>
Trade payables turnover days <i>(Note)</i>	<u>5</u>	<u>31</u>	<u>42</u>

*Note:* Guangyuan Tongchuang was incorporated on 14 July 2017, therefore we calculate trade payables turnover days by dividing average trade payables by cost of sales and multiplied by 171 days, 365 days and 105 days for each of FY2017, FY2018 and period ended 15 April 2019, respectively. Average trade payables is calculated by dividing the sum of trade payables at the beginning of the period and trade payables at the end of the period by two.

Guangyuan Tongchuang's trade payables turnover days increased from 5 days for FY2017 to 31 days for FY2018, and further increased to 42 days for the period ended 15 April 2019, which is within the credit period and such increase was mainly related to Guangyuan Tongchuang's building up of stable relationship with major suppliers allowing longer credit period.



## PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG

An ageing analysis of the Guangyuan Tongchuang's trade payables based on invoice date as at the end of each of the dates indicated, is as follows:

	As at 31 December		As at
	2017	2018	15 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 60 days	3,965	23,134	9,958
61 days to 180 days	415	1,679	2,000
181 days to 365 days	—	638	96
Over 365 days	—	7	7
	4,380	25,458	12,061
<b>Accruals and other payables</b>	<b>4,380</b>	<b>25,458</b>	<b>12,061</b>

The following tables sets forth the accruals and other payables as at the dates indicated:

	As at 31 December		As at
	2017	2018	15 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables <i>(Note)</i>			
— Due to third parties	10	415	691
— Due to a related party	—	—	3
Accrued expenses	294	459	62
Other taxes payable	29	21	—
	333	895	756
	<b>333</b>	<b>895</b>	<b>756</b>

*Note:* Other payables mainly included logistic fees incurred and other accessories purchased but not yet paid.

Due to the expanded production scale and full year operation in 2018, accruals and other payables of Guangyuan Tongchuang increased from RMB0.3 million as at 31 December 2017 to RMB0.9 million as at 31 December 2018. Accruals and other payables slightly decreased to RMB0.8 million as at 15 April 2019.

**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

**Borrowings**

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>			
Other borrowing	<u>—</u>	<u>1,300<sup>Note 1</sup></u>	<u>—<sup>Note 2</sup></u>

The borrowings is scheduled to repay as follows:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
On demand or within one year	<u>—</u>	<u>1,300<sup>Note 1</sup></u>	<u>—<sup>Note 2</sup></u>

The following table details the interest rate profile of borrowings at the end of each of the reporting period:

	<b>FY2017</b>	<b>FY2018</b>	<b>Period ended</b>
			<b>15 April</b>
			<b>2019</b>
On demand or within one year	<u>—</u>	<u>—<sup>Note 1</sup></u>	<u>13%<sup>Note 2</sup></u>

*Notes:*

1. As at 31 December 2018, Guangyuan Tongchuang recorded a borrowing of RMB1.3 million, which was interest-free, unsecured, unguaranteed and repayable within 10 days. The lender is an Independent Third Party which is a state-owned enterprise. Such borrowing was made on 26 December 2018 and repaid on 4 January 2019.
2. During the period ended 15 April 2019, Guangyuan Tongchuang had a borrowing of RMB6.0 million from Tongsheng Guochuang, with effective interest rate of 13% per annum. Such borrowing was made on 7 January 2019 and repaid on 6 February 2019.

Save as disclosed, Guangyuan Tongchuang had no other borrowings for FY2017, FY2018 and the period ended 15 April 2019.

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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**Lease liabilities**

The following table sets forth the lease liabilities as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities			
Current portion	1,123	1,193	1,211
Non-current portion	<u>12,692</u>	<u>11,499</u>	<u>11,139</u>
	<u><u>13,815</u></u>	<u><u>12,692</u></u>	<u><u>12,350</u></u>

**NON-CURRENT ASSETS**

**Property, plant and equipment**

Guangyuan Tongchuang's property plant and equipment comprised (i) machinery, (ii) computer and office equipment, (iii) furniture and fittings, and (iv) motor vehicles. The following table sets forth the carrying value of property, plant and equipment as at the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2017</b>	<b>2018</b>	<b>15 April</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Plant and machinery	17,714	17,110	18,352
Computer and office equipment	372	508	486
Furniture and fixtures	14	48	42
Motor vehicles	<u>3</u>	<u>3</u>	<u>3</u>
	<u><u>18,103</u></u>	<u><u>17,669</u></u>	<u><u>18,883</u></u>

**Right of use assets**

Guangyuan Tongchuang's right of use assets comprised the lease of buildings. The balance as at 31 December 2017, 2018 and 15 April 2019 was RMB13.7 million, RMB12.3 million and RMB11.9 million.

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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**LIQUIDITY**

The following table summarises selected cash flows data from Guangyuan Tongchuang's statements of cash flows for the indicated periods:

	<b>FY2017</b>	<b>FY2018</b>	<b>Period ended</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<b>15 April</b>
			<b>2019</b>
			<i>RMB'000</i>
Operating profit before working capital changes	1,173	7,353	2,515
Net cash flows (used in)/generated from operating activities	(27,179)	1,525	3,296
Net cash flows used in investing activities	(405)	(364)	(1,439)
Net cash generated from/(used in) financing activities	28,503	(1,904)	(1,943)
Net increase/(decrease) in cash and cash equivalents	919	(743)	(86)
Cash and cash equivalents at beginning of year/period	—	919	176
Cash and cash equivalents at end of year/period	919	176	90

**Net cash flows (used in)/generated from operating activities**

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang derived cash inflow from operating activities principally from the receipts from the sales of products. Tongchuang's cash outflow was principally on purchases of raw materials and other operating expenses.

For FY2017, Guangyuan Tongchuang had net cash used in operating activities of RMB27.2 million. Its cash flow generated from operations primarily consisted of profit before income tax expenses of RMB0.3 million, adjusted by reconciliation of non-cash items of RMB0.9 million and negative changes in working capital, which mainly include (i) an increase in trade receivables of RMB24.4 million, (ii) an increase in inventories of RMB5.0 million, (iii) an increase in prepayments, deposits and other receivables of RMB3.7 million; and partially offset by an increase in trade payables of RMB4.4 million.

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## PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG

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For FY2018, Guangyuan Tongchuang had net cash generated from operating activities of RMB1.5 million. Its net cash inflow was attributable to cash flow generated from operations of RMB1.9 million and partially offset by the income tax paid of RMB0.3 million. Its cash flow generated from operations primarily consisted of income before income tax of RMB4.5 million, adjusted by reconciliation of non-cash items of RMB2.9 million and negative changes in working capital, which mainly include (i) an increase in trade receivables of RMB26.8 million, (ii) an increase in inventories of RMB1.7 million; partially offset by (i) increase in trade and bill payables of RMB21.0 million and (ii) a decrease in prepayments, deposits and other receivables of RMB1.3 million.

For the period ended 15 April 2019, Guangyuan Tongchuang had net cash generated from operating activities of RMB3.3 million. Its net cash inflow was attributable to cash flow generated from operations of RMB3.6 million and partially offset by the income tax paid of RMB0.3 million. Its cash flow generated from operations primarily consisted of income before income tax of RMB1.6 million, adjusted by reconciliation of non-cash items of RMB0.9 million and positive changes in working capital, which mainly include (i) a decrease in trade receivables of RMB20.8 million, (ii) an increase in contract liabilities of RMB3.5 million; partially offset by (i) a decrease in trade payables of RMB13.4 million and (ii) an increase in inventories of RMB10.2 million.

### **Net cash flows used in investing activities**

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang's cash outflow for investing activity was for purchase of property, plant and equipment. Guangyuan Tongchuang's cash inflow for investing activity was from interest received.

Net cash flows used in investing activities for FY2017 was RMB0.4 million, which was due to the purchase of property, plant and equipment of RMB0.4 million, and partially offset by the interest received of RMB28,000.

Net cash flows used in investing activities for FY2018 was RMB0.4 million, which was due to the purchase of property, plant and equipment of RMB0.4 million.

Net cash flows used in investing activities for the period ended 15 April 2019 was RMB1.4 million, which was due to the purchase of property, plant and equipment of RMB1.4 million.

### **Net cash from/(used in) financing activities**

For FY2017, FY2018 and the period ended 15 April 2019, Guangyuan Tongchuang's cash outflow for financing activities was principally repayment of lease liabilities, interest paid on lease liabilities, dividend paid and repayment of borrowings. Guangyuan Tongchuang's cash inflow was principally proceeds from borrowings and proceeds from issuance of ordinary shares.

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**PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG**

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Net cash from financing activities for FY2017 was RMB28.5 million, which was primarily due to proceed from issuance of ordinary shares of RMB29.1 million, comprised of RMB26.0 million from Tongsheng Guochuang and RMB3.1 million from Guangyuan Saftower.

Net cash used in financing activities for FY2018 was RMB1.9 million, which was primarily due to dividend paid of RMB1.4 million and repayment of lease liabilities of RMB1.8 million, and partially offset by proceeds from borrowings of RMB1.3 million.

Net cash used in financing activities for the period ended 15 April 2019 was RMB1.9 million, which was primarily due to the net repayment of borrowings of RMB1.3 million and repayment of lease liabilities of RMB0.5 million.