The following is the text of a report, received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA SAFTOWER INTERNATIONAL HOLDING GROUP LIMITED AND ALLIANCE CAPITAL PARTNERS LIMITED

Introduction

We report on the historical financial information of China Saftower International Holding Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-4 to I-78, which comprises the consolidated statements of financial position as at 31 December 2017, 31 December 2018 and 31 December 2019 and the statements of financial position of the Company as at 31 December 2018 and 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-78 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 June 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2018 and 31 December 2019, the Group's financial position as at 31 December 2017, 31 December 2018 and 31 December 2019 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

BDO Limited
Certified Public Accountants
Chan Wing Fai
Practising Certificate no. P05443

Hong Kong
24 June 2020

I. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2017	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	7	262,295	552,656	685,530
Cost of sales		(247,899)	(514,300)	(631,656)
Gross profit		14,396	38,356	53,874
Other income and gains	8	8,935	9,249	20,838
Selling and distribution expenses		(2,702)	(4,999)	(9,068)
Administrative and other expenses		(13,286)	(12,235)	(15,491)
Listing expenses		—	(3,851)	(8,920)
Finance costs	9	(4,257)	(6,515)	(7,877)
Share of profit of a joint venture		88	1,548	538
Profit before income tax expense	10	3,174	21,553	33,894
Income tax expense	12	(997)	(4,157)	(4,141)
Profit and total comprehensive income for the year		2,177	17,396	29,753
Profit and total comprehensive income attributable to:				
Owners of the Company		2,180	17,486	26,607
Non-controlling interests		(3)	(90)	3,146
		2,177	17,396	29,753
Earnings per share for the profit attributable to owners of the Company during the year (expressed in RMB per share)				
— Basic and diluted	14	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2017	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	15	93,079	89,245	119,013
Intangible assets	16	85	127	112
Interest in a joint venture	17	24,106	25,100	—
Deferred tax assets	18	1,729	141	—
Right-of-use assets	19	11,428	10,781	10,134
Prepayments	22	595	4,993	190
		131,022	130,387	129,449
Current assets				
Inventories	20	15,186	8,497	20,771
Trade and bills receivables	21	27,873	66,941	148,035
Prepayments, deposits and other receivables	22	12,788	60,767	33,301
Amounts due from shareholders	23	23	373	5
Cash and cash equivalents	24	4,907	1,614	2,726
		60,777	138,192	204,838
Total assets		191,799	268,579	334,287
Current liabilities				
Contract liabilities	25	6,301	6,713	6,804
Trade and bills payables	26	34,224	56,377	67,849
Accruals and other payables	27	18,159	18,417	14,477
Amount due to a shareholder	23	12,309	899	—
Borrowings	28	56,000	91,630	95,478
Deferred income	29	368	368	368
Lease liabilities	30	2,844	1,238	356
Income tax payable		2	2,441	2,172
		130,207	178,083	187,504
Net current (liabilities)/assets		(69,430)	(39,891)	17,334
Total assets less current liabilities		61,592	90,496	146,783

		As at 31 December		
		2017	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings	28	—	—	3,684
Deferred income	29	3,189	2,821	2,453
Deferred tax liabilities	18	—	—	1,061
Lease liabilities	30	438	314	184
		3,627	3,135	7,382
Net assets		57,965	87,361	139,401
EQUITY				
Equity attributable to owners of the Company				
Share capital	31	—	—*	—*
Reserves	32	57,968	87,454	111,757
		57,968	87,454	111,757
Non-controlling interests		(3)	(93)	27,644
Total equity		57,965	87,361	139,401

* Represents the amount less than RMB1,000

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
		2018	**2019**
	Notes	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES			
Non-current asset			
Investment in a subsidiary		—*	—*
Net asset		—*	—*
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	—*	—*
Total equity		—*	—*

* Represents the amount less than RMB1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company						
	Share capital *RMB'000* *(Note 31)*	Capital reserves *RMB'000* *(Note 32)*	(Accumulated losses)/ retained earnings *RMB'000* *(Note 32)*	Statutory reserves *RMB'000* *(Note 32)*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2017	—	60,000	(4,215)	3	55,788	—	55,788
Profit and total comprehensive income for the year	—	—	2,180	—	2,180	(3)	2,177
Transfer to statutory reserves	—	—	(383)	383	—	—	—
At 31 December 2017 and 1 January 2018	—	60,000	(2,418)	386	57,968	(3)	57,965
Profit and total comprehensive income for the year	—	—	17,486	—	17,486	(90)	17,396
Capital injection to a subsidiary *(Note i)*	—	12,000	—	—	12,000	—	12,000
Issue of ordinary share *(Note 31(a))*	—*	—	—	—	—*	—	—*
Transfer to statutory reserves	—	—	(2,147)	2,147	—	—	—
At 31 December 2018 and 1 January 2019	—	72,000	12,921	2,533	87,454	(93)	87,361
Profit and total comprehensive income for the year	—	—	26,607	—	26,607	3,146	29,753
Acquisition of a subsidiary *(Note 36)*	—	—	—	—	—	27,971	27,971
Issue of ordinary shares *(Note 31(b)&(c))*	—*	—	—	—	—*	—	—*
Deemed distribution to the then shareholders of a subsidiary pursuant to the Reorganisation *(Note ii)*	—	(2,304)	—	—	(2,304)	—	(2,304)
Dividend to non-controlling interests *(Note 13)*	—	—	—	—	—	(3,380)	(3,380)
Transfer to statutory reserves	—	—	(3,790)	3,790	—	—	—
At 31 December 2019	—*	69,696	35,738	6,323	111,757	27,644	139,401

* Represents the amount less than RMB1,000

Notes:

(i) By two payments made on 17 December 2018 and 25 December 2018 respectively, Mr. Dang Fei contributed a total of RMB12,000,000 towards 廣元蜀塔科技有限公司 (Guangyuan Saftower Technology Company Limited*) as capital injection.

(ii) As part of the Reorganisation as defined in Note 2, 蜀塔企業管理(廣元)有限公司 (Saftower Management (Guangyuan) Limited*) acquired 96% of the equity interests of 廣元蜀塔科技有限公司 (Guangyuan Saftower Technology Company Limited*) from the then shareholders, at cash considerations of RMB2,304,000.

* *English translated names are for identification purpose only*

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2017	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Profit before income tax expense		3,174	21,553	33,894
Adjustments for:				
Depreciation of property, plant and equipment	10	4,926	5,173	5,766
Depreciation of right-of-use assets	10	283	647	647
(Gains)/losses on disposal of property, plant and equipment, net	10	(1,517)	11	—
Gain on a bargain purchase	8	—	—	(942)
Amortisation of intangible assets	10	13	15	15
Allowance for/(reversal of) ECLs on trade receivables	10	289	566	(1,136)
(Reversal of)/allowance for ECLs on other receivables	10	(12)	(20)	64
Written-off of prepayments and other receivables	10	300	353	—
Release of deferred income	10	(123)	(368)	(368)
Share of profit of a joint venture		(88)	(1,548)	(538)
Finance costs	9	4,257	6,515	7,877
Interest income	8	(5)	(7)	(16)
		11,497	32,890	45,263
(Increase)/decrease in inventories		(2,765)	6,692	4,702
Decrease/(increase) in trade and bills receivables		70	(39,634)	(49,531)
(Increase)/decrease in prepayments, deposits and other receivables		(589)	(48,312)	32,275
Increase/(decrease) in contract liabilities		3,889	412	(3,572)
Increase/(decrease) in trade and bills payables		14,148	22,153	(589)
(Decrease)/increase in accruals and other payables		(13,819)	4,553	(6,143)
(Increase)/decrease in amounts due from shareholders		(23)	(350)	368
Cash generated from/(used in) operations		12,408	(21,596)	22,773
Income tax paid		—	(130)	(3,491)
Net cash generated from/(used in) operating activities		12,408	(21,726)	19,282

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Cash flows from investing activities				
Purchase of intangible assets		(27)	(57)	—
Purchase of property, plant and equipment		(27,265)	(10,056)	(10,352)
Purchase of right-of-use assets		(578)	—	—
Investment in a joint venture		(3,104)	—	—
Dividend received from a joint venture		—	551	—
Acquisition of a subsidiary	36	—	—	90
Receipt of a government grant		3,680	—	—
Interest received		5	7	16
Net cash used in investing activities		(27,289)	(9,555)	(10,246)
Cash flows from financing activities				
Capital injection to a subsidiary		—	12,000	—
Proceeds from borrowings		60,000	91,880	103,140
Repayments of borrowings		(42,000)	(56,250)	(95,608)
Interest paid on borrowings		(4,330)	(6,269)	(7,783)
Repayments of lease liabilities		(596)	(1,963)	(1,090)
Increase/(decrease) in amount due to a shareholder		3,034	(11,410)	(899)
Deemed distribution to the then shareholders of a subsidiary pursuant to the Reorganisation		—	—	(2,304)
Decrease in amount due to a related company		(366)	—	—
Dividend paid to non-controlling interests		—	—	(3,380)
Net cash generated from/(used in) financing activities		15,742	27,988	(7,924)
Net increase/(decrease) in cash and cash equivalents		861	(3,293)	1,112
Cash and cash equivalents at beginning of year		4,046	4,907	1,614
Cash and cash equivalents at end of year		4,907	1,614	2,726

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2018. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and its principal place of business is No. 88, Qingma Road, Modern Industrial Port (South Area), Pidu District, Chengdu, Sichuan Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The Company and its subsidiaries now comprising the group (the "**Group**") are principally engaged in the manufacturing and sales of wires and cables and sales of aluminium products in the PRC (the "**Listing businesses**").

No audited statutory financial statements have been prepared for the Company since its date of incorporation as the Company is not required to issue audited financial statements under statutory requirements of its place of incorporation.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries and the particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Issued and fully paid share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities	*Notes*
Bida Investment Limited ("**Bida Investment**")	The British Virgin Islands ("**BVI**") 5 November 2018 Limited liability company	United States Dollars ("**US$**") 1	100%	—	Investment holding	(i)
China Saftower International Limited ("**Saftower International**")	Hong Kong 5 December 2018 Limited liability company	Hong Kong Dollars ("**HK$**") 1	—	100%	Investment holding	(ii)
Weichi Investment Limited ("**Weichi Investment**")	BVI 15 November 2018 Limited liability company	US$1	—	100%	Investment holding	(i)
Wechi Int'l Investment Limited ("**Wechi Int'l**")	Hong Kong 27 December 2018 Limited liability company	HK$1	—	100%	Investment holding	(ii)
蜀塔企業管理(廣元)有限公司 (Saftower Management (Guangyuan) Limited)* ("**Saftower Management**")	The PRC 14 May 2019 Limited liability company	RMB100,000	—	100%	Investment holding	(i)
廣元蜀塔科技有限公司 (Guangyuan Saftower Technology Company Limited)* ("**Guangyuan Saftower Technology**")	The PRC 14 September 2018 Limited liability company	RMB2,400,000	—	100%	Investment holding	(i)

* *English translated names are for identification purpose only*

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Issued and fully paid share capital/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities	*Notes*
四川蜀塔實業有限公司 (Sichuan Saftower Industry Company Limited)* ("**Sichuan Saftower**")	The PRC 24 June 2004 Limited liability company	RMB60,000,000	—	100%	Manufacturing, processing and sale of wires and cables and sale of aluminium products	(iii)
廣元蜀塔電纜有限公司 (Guangyuan Saftower Cable Company Limited)* ("**Guangyuan Saftower**")	The PRC 16 February 2015 Limited liability company	RMB25,200,000	—	100%	Manufacturing, processing and sale of semi-finished wires and trading of aluminium products	(iii)
四川量電電纜科技有限公司 (Sichuan Liangdian Cable Technology Company Limited)* ("**Sichuan Liangdian**")	The PRC 19 March 2015 Limited liability company	RMB100,000	—	100%	Sales of wires and cables	(i)
拉薩蜀塔科技發展有限公司 (Lhasa Saftower Technology Development Company Limited)* ("**Lhasa Saftower**")	The PRC 14 January 2013 Limited liability company	RMB100,000	—	100%	Inactive	(i)
廣元蜀能合金材料有限公司 (Guangyuan Shuneng Alloy Materials Company Limited)* ("**Guangyuan Shuneng**")	The PRC 24 January 2018 Limited liability company	RMB4,800,000	—	100%	Production of aluminium rod materials	(i)
廣元同創新材料有限公司 (Guangyuan Tongchuang New Materials Company Limited)* ("**Guangyuan Tongchuang**")	The PRC 14 July 2017 Limited liability company	RMB60,000,000	—	56.67%	Manufacturing, processing and sale of aluminium wires and cables and trading of aluminium products	(iv)

Notes:

(i) No audited statutory financial statements have been prepared for these entities as they are not required to issue audited financial statements under statutory requirements of their respective place of incorporation.

(ii) No audited statutory financial statements have been prepared for Saftower International and Wechi Int'l as they are newly incorporated.

(iii) The audited financial statements of these entities for the year ended 31 December 2017 were prepared in accordance with PRC Generally Accepted Accounting Principles ("**PRC GAAP**") and were audited by WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合伙)). The audited financial statements of these entities for the years ended 31 December 2018 and 2019 were not prepared as they are not required to issue audited financial statements under statutory audit requirements of their respective place of incorporation.

(iv) The audited financial statements of this entity for the years ended 31 December 2017 and 2018 were prepared in accordance with PRC GAAP and were audited by Sichuan Zhongheng Anxin Certified Public Accountants (四川中衡安信會計師事務所). The audited financial statements of this entity for the year ended 31 December 2019 were not prepared as it is not required to issue audited financial statements under statutory audit requirements of its respective place of incorporation.

* *English translated names are for identification purpose only*

2. REORGANISATION, BASIS OF PREPARATION AND PRESENTATION

Prior to the incorporation of the Company and the completion of the reorganisation, the Listing Businesses were conducted through Sichuan Saftower and its subsidiaries (the "**Sichuan Saftower Group**"). Sichuan Saftower was controlled by Mr. Dang Fei and Mr. Dang Jun. As detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Group underwent a reorganisation (the "**Reorganisation**") to rationalise its corporate structure in connection with the listing of the shares of the Company on GEM of the Stock Exchange (the "**Listing**").

The Company was incorporated in the Cayman Islands on 9 October 2018 as an exempted company with limited liability under the Cayman Islands Companies Law. Pursuant to the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 29 May 2019. The Company and Bida Investment, Saftower International, Weichi Investment, Wechi Int'l, Saftower Management, Guangyuan Saftower Technology (together, the "**Non-operating Companies**") are newly incorporated companies as part of the Reorganisation of Sichuan Saftower and none of these new holding companies carried out any business since their incorporation.

The Reorganisation only involved inserting the Non-operating Companies as holding companies of Sichuan Saftower, which has no substance. The holding companies have not been involved in any business and do not meet the definition of a business. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared based on that of Sichuan Saftower Group using the predecessor carrying amounts.

For the purpose of this report, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group, as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. The consolidated statements of financial position of the Group as at 31 December 2017, 31 December 2018 and 31 December 2019 have been prepared to present the assets and liabilities of companies now comprising the Group as if the current group structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. All significant intra-group transactions and balances have been eliminated upon consolidation.

Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full upon consolidation. 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.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below, which conform to Hong Kong Financial Reporting Standards ("**HKFRSs**") (which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited throughout the Relevant Periods.

HKFRS 9 "Financial Instruments" ("**HKFRS 9**") and HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**") are mandatorily effective for the financial year beginning on or after 1 January 2018. HKFRS 16 "Leases" ("**HKFRS 16**") is mandatorily effective for financial year beginning on or after 1 January 2019. In preparation of the Historical Financial Information, these new standards together with other newly effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2019 and before, have been consistently applied to the Group throughout the Relevant Periods. We have also early adopted "Amendments to HKFRS 10 and HKAS 28 — Sales or Contribution of Assets between Investor and its Associate or Joint Venture", which have no significant impact on the Group's financial position/performance, although the mandatory effective date of such amendments is to be determined.

The Historical Financial Information has been prepared under the historical cost basis.

The Historical Financial Information is prepared in RMB, which is also the functional currency of the Company and its subsidiaries and all values are rounded to the nearest thousands except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs that have been issued, potentially relevant to the Group's operation, but are not yet effective, during the Relevant Periods in the Historical Financial Information.

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKAS 1	Classification of Liabilities as current or non-current[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022

The directors do not anticipate that the application of the new and revised HKFRSs will have material impact on the Group's financial performance and position and/or the disclosures to the Group's Historical Financial Information.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit 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 interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 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: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) 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 statements 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 receivables.

4.3 Non-controlling interests

Non-controlling interests in a subsidiary relate to the equity in the subsidiary which is not attributable directly or indirectly to the owners of the parent. This is shown separately in the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of financial position and the consolidated statements of changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

4.4 Joint arrangements

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- *Joint ventures:* where the Group has rights to only the net assets of the joint arrangement; or
- *Joint operations:* where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Interests in joint ventures 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 joint ventures' net assets except that losses in excess of the Group's interest in the joint venture are not recognised unless there is an obligation to make good those losses.

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

Any premium paid for an interest in a joint venture 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 interest in a joint venture. Where there is objective evidence that the interest in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

The Group has early adopted "Amendments to HKFRS 10 and HKAS 28 — Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" since 1 January 2017.

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

4.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	30 years
Leasehold improvements	5 years
Plant and machinery	10–30 years
Furniture and fixtures	3–5 years
Computer and office equipment	3–10 years
Motor vehicles	5–10 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. 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 asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.6 Leases

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

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

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, 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. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value. 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.

Lease liability

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

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

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

The Group applies HKAS 36 to determine whether the right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single component. The Group has not used this practical expedient.

4.7 Intangible assets (other than goodwill)

(i) Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Computer software	10 years

The management of the Group considers the expected usage of the computer software by the Group, technological obsolescence and other factors to justify the useful lives of the computer software.

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4.15).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

4.8 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 ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

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

Debt instruments

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

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

(ii) Impairment loss on financial assets

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

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group rebutted the presumption of a financial asset has increased credit risk significantly if it is more than 30 days past due based on the customers' past payment history and current ability of making payments. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group rebutted the presumption of default under ECL model for a financial asset over 90 days past due based on the customers' past payment history and current ability of making payments. The Group considers that default has occurred when a financial asset is more than 1 year past due. The Group considers a financial asset to be credit-impaired when: (1) significant financial difficulty of the issuer or the borrower; (2) a breach of contract, such as a default or past due event; (3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (4) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; (5) the disappearance of an active market for that financial asset because of financial difficulties; or (6) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. 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.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, amount due to a shareholder, and lease liabilities are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. 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 liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

4.9 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. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.10 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Sales of wires and cables

Customers obtain control of the wires and cables when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the wires and cables. There is generally only one performance obligation. Invoices are usually payable within 90 days.

(ii) Sales of aluminium products

Customers obtain control of the aluminium products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the aluminium products. There is generally only one performance obligation. Invoices are usually payable within 5 days.

(iii) Warranties

The Group normally provides warranty services from 1 to 2 years to its customers regarding the sales of wires and cables. The customers do not have an option to purchase warranty separately. The Group accounts for warranty in accordance with HKAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specification (i.e. service-type warranties).

(iv) Other income

Agency fee income is recognised when the goods on which the agency fee is calculated are delivered.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligation in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4.11 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

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

4.12 Cash and cash equivalents

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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

4.13 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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 period, 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.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4.14 Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(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.

4.15 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;
- right-of-use assets;
- prepayments;
- intangible assets;
- interest in a joint venture; and
- investment in a subsidiary

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or the cash-generating unit ("CGU"), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. A CGU is the smallest identifiable group of assets that generate cash flows that are largely independent of the cash flows from other assets or groups of assets.

4.16 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.

4.17 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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

4.18 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 of the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

4.19 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Group, being the chief operating decision maker ("CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal Historical Financial Information reported to the CODM are determined following the Group's major products and service lines stated in Note 6.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except interest income, unallocated financial costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management 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 may differ from these estimates.

These 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.

Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities and reported amounts of revenue and expenses within the next reporting period, are discussed below.

(i) Estimated useful lives of property, plant and equipment and intangible assets

In determining the useful lives of property, plant and equipment and intangible assets, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Depreciation and amortisation charge are revised if the estimated useful lives of items of property, plant and equipment and intangible assets are different from the previous estimation. Estimated useful life is reviewed, at the end of each of the Relevant Periods, based on changes in circumstances.

(ii) Impairment of non-financial assets

The Group assesses at the end of each of the Relevant Periods whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the CGU to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(iii) Assessment of the net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Management carries out an assessment to determine if there are inventories that have to be written down to net realisable value as at the end of the reporting period. Management estimates the net realisable value of inventories based on the latest market prices and current market conditions.

(iv) Impairment of trade and other receivables

Management determines the provision for the trade receivables based on the ECLs which uses a lifetime expected loss allowance for all trade receivables. Management also determines the provision for the other receivables based on the ECLs which use either 12 months or lifetime ECLs depending whether the credit risk has increased significantly since initial-recognition or being credit-impaired for all other receivables. The loss allowance for financial assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which may impact the customers' ability to repay the outstanding balances in order to estimate the ECLs for the impairment assessment.

(v) Income taxes and deferred tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. Transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profits would be available against which the losses and other deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

6. SEGMENT INFORMATION

Operating segment

During the Relevant Periods, the Group was principally engaged in manufacturing and sales of wires and cables and sales of aluminium products in the PRC. Information reported to the Group's CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. For management purpose, the Group has only one reportable operating segment which is the manufacturing and sales of wires and cables and sales of aluminium products. Accordingly, no operating segment information is presented.

Geographic information

The Group's revenue during the Relevant Periods was all derived from customers based in the PRC and all the Group's non-current assets are located in the PRC. Therefore, no geographical segment reporting is presented.

Information about major customers

Revenue from customers for the Relevant Periods contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Customer I	51,475	N/A[(1)]	N/A[(1)]
Customer II	42,443	71,567	N/A[(1)]
Customer III	N/A[(1)]	N/A[(1)]	70,965

(1) The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. REVENUE

Revenue represents the amount received and receivable from manufacturing and sales of wires and cables and sales of aluminium products during the Relevant Periods.

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Type of goods			
Manufacturing and sales of wires and cables, recognised at a point in time	246,161	414,065	640,195
Sales of aluminium products, recognised at a point in time	16,134	138,591	45,335
	262,295	552,656	685,530

The Group applies the practical expedient of not disclosing the transaction price allocated to remaining performance obligations that is part of a contract that has original expected duration of one year or less.

8. OTHER INCOME AND GAINS

	Notes	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Other income				
Interest income		5	7	16
Government grants and subsidies	(i)	5,427	3,949	15,008
Agency fee income		—	3,321	3,134
Sales of scrap metals and consumables	(ii)	1,192	141	—
Rental income	(iii)	601	1,807	530
		7,225	9,225	18,688
Gains				
Gains on disposal of property, plant and equipment		1,525	—	—
Gain on a bargain purchase *(Note 36)*		—	—	942
Reversal of ECLs on trade receivables *(Note 21)*		—	—	1,136
Reversal of ECLs on other receivables *(Note 22)*		12	20	—
Others		173	4	72
		1,710	24	2,150
		8,935	9,249	20,838

Notes:

(i) The Group received government grants and subsidies in relation to the support of the Group's operations, purchase of plant and machinery and the reward of the employment of disabled people in the PRC. There were no unfulfilled conditions in relation to the grants and subsidies.

(ii) During the years ended 31 December 2017 and 31 December 2018, the Group sold its scrap metals and consumables to the then joint venture, Guangyuan Tongchuang of approximately RMB1,117,000 and RMB38,000 respectively (Note 35(a)).

(iii) During the Relevant Periods, the Group leased its buildings to the then joint venture, Guangyuan Tongchuang (Note 35(a)).

9. FINANCE COSTS

	Year ended 31 December 2017 RMB'000	2018 RMB'000	2019 RMB'000
Interest expenses on bank and other borrowings	4,117	6,282	7,799
Interest expenses on lease liabilities	140	233	78
	4,257	6,515	7,877

10. PROFIT BEFORE INCOME TAX EXPENSE

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

	Year ended 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Costs of inventories recognised as expenses	247,899	514,300	631,656
Auditor's remuneration	151	127	—
Depreciation of property, plant and equipment	4,926	5,173	5,766
Depreciation of right-of-use assets	283	647	647
(Gains)/losses on disposal of property, plant and equipment, net	(1,517)	11	—
Amortisation of intangible assets	13	15	15
Research and development costs (other than amortisation costs)	850	803	1,381
Release of deferred income	(123)	(368)	(368)
Allowance for/(reversal of) ECLs on trade receivables *(Note 21)*	289	566	(1,136)
(Reversal of)/allowance for ECLs on other receivables *(Note 22)*	(12)	(20)	64
Written-off prepayments and other receivables	300	353	—
Listing expenses	—	3,851	8,920
Employee benefit expense (including directors' remuneration *(Note 11)*)			
Wages, salaries, allowances and other benefits	8,232	6,323	10,387
Contributions to defined contribution retirement plan	1,436	1,359	2,255
	9,668	7,682	12,642

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The remuneration paid or payable to each of the directors of the Company for the Relevant Periods is as follows:

	Fees	Salaries, allowances and other benefits	Contributions to defined contribution retirement plan	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017				
Executive directors:				
Mr. Dang Fei	—	105	20	125
Mr. Wang Xiaozhong	—	70	15	85
Ms. Luo Xi	—	83	11	94
Mr. Luo Qiang	—	—	—	—
Non-executive director:				
Mr. Wang Haichen	—	—	—	—
	—	258	46	304
Year ended 31 December 2018				
Executive directors:				
Mr. Dang Fei	—	108	20	128
Mr. Wang Xiaozhong	—	66	16	82
Ms. Luo Xi	—	85	11	96
Mr. Luo Qiang	—	77	3	80
Non-executive director:				
Mr. Wang Haichen	—	—	—	—
	—	336	50	386
Year ended 31 December 2019				
Executive directors:				
Mr. Dang Fei	—	108	21	129
Mr. Wang Xiaozhong	—	66	21	87
Ms. Luo Xi	—	89	12	101
Mr. Luo Qiang	—	96	3	99
Non-executive director:				
Mr. Wang Haichen	—	—	—	—
	—	359	57	416

On 9 October 2018, Mr. Dang Fei and Mr. Wang Xiaozhong were appointed as the executive directors of the Company. On 22 May 2019, Ms. Luo Xi and Mr. Luo Qiang were appointed as the executive directors of the Company.

On 22 May 2019, Mr. Wang Haichen was appointed as non-executive director of the Company.

During the Relevant Periods, the independent non-executive directors have not yet been appointed and have not received any director's remuneration in the capacity of independent non-executive directors.

The emoluments shown above represent emolument received from the Group by the directors of the Company in their capacity as directors/employees of the Company's subsidiaries.

During the Relevant Periods, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group included 1, 2 and 2 directors for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively, whose emoluments are reflected in Note 11(a).

The analysis of emoluments of the remaining 4, 3 and 3 highest paid individuals for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively, are as follows:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits	499	301	419
Contributions to defined contribution retirement plan	27	23	25
	526	324	444

The emoluments paid or payables to each of the above individuals were within the following bands:

	Year ended 31 December		
	2017	**2018**	**2019**
	No. of individuals	*No. of individuals*	*No. of individuals*
Nil to HK$1,000,000	4	3	3

12. INCOME TAX EXPENSE

The income tax expense in the consolidated statements of profit or loss and other comprehensive income during the Relevant Periods represents:

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
— tax for the year	2	2,569	3,322
— over-provision in respect of prior years	—	—	(383)
	2	2,569	2,939
Deferred tax *(Note 18)*	995	1,588	1,202
Income tax expense	997	4,157	4,141

No Hong Kong profits tax was provided in the Historical Financial Information as the Group has no estimated assessable profits in Hong Kong during the Relevant Periods.

Provision for the Enterprise Income Tax ("**EIT**") in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the income tax laws and regulations applicable to the operating subsidiaries in the PRC except certain subsidiaries are entitled to preferential tax rate of 15% in the PRC as mentioned below.

Sichuan Saftower was approved as High and New Technology Enterprise, and accordingly, it was subject to a preferential EIT tax rate of 15% during the years ended 31 December 2018 and 31 December 2019.

Guangyuan Tongchuang is subject to 10% income tax concession due to preferential tax policy of the development of the western region fulfilled for the year ended 31 December 2019. 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, EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

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

	Year ended 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax expense	3,174	21,553	33,894
Tax calculated at EIT of 25% in the PRC	794	5,388	8,474
Tax effect of non-taxable income	—	—	(155)
Tax effect of non-deductible expenses	181	1,058	27
Tax effect of temporary differences not recognised	230	139	(548)
Tax effect of income taxed at preferential tax rates	—	(1,713)	(2,383)
Tax concession	(186)	(328)	(757)
Tax effect of share of profit of a joint venture	(22)	(387)	(134)
Over provision in respect of prior years	—	—	(383)
Income tax expense	997	4,157	4,141

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of subsidiaries of RMB3,519,000, RMB17,256,000 and RMB51,494,000 as at 31 December 2017, 31 December 2018 and 31 December 2019 respectively as the Group is in a position to control the dividend policies of subsidiaries and it is probable that such amount with be reinvested in the foreseeable future.

Deferred tax liabilities have not been established for the withholding tax that would be payable on the undistributed earnings of the joint venture of RMB237,000 and RMB2,318,000 as at 31 December 2017 and 31 December 2018 respectively.

13. DIVIDENDS

No dividend has been paid or declared by the Company during the Relevant Periods.

During the year ended 31 December 2019, final dividends of approximately RMB4,894,000 in respect of the year ended 31 December 2018 were declared and paid by Guangyuan Tongchuang to its shareholders.

14. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the financial performance of the Group for the Relevant Periods as set out in Note 2 above.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Plant and machinery	Furniture and fixtures	Computer and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2017	66,185	3,697	2,045	16,952	451	1,123	3,456	93,909
Additions	1,915	12,964	—	20,620	—	355	—	35,854
Transfer	13,554	(13,554)	—	—	—	—	—	—
Disposals	(4,016)	—	—	(12,835)	(13)	(206)	(4)	(17,074)
At 31 December 2017 and 1 January 2018	77,638	3,107	2,045	24,737	438	1,272	3,452	112,689
Additions	810	—	—	380	43	7	110	1,350
Transfer	3,107	(3,107)	—	—	—	—	—	—
Disposals	—	—	—	(69)	—	—	(80)	(149)
At 31 December 2018 and 1 January 2019	81,555	—	2,045	25,048	481	1,279	3,482	113,890
Additions	4,031	2,643	—	8,648	59	7	1,263	16,651
Additions through business combination	—	—	—	18,352	42	486	3	18,883
Transfer	2,097	(2,643)	—	546	—	—	—	—
At 31 December 2019	87,683	—	2,045	52,594	582	1,772	4,748	149,424
Accumulated depreciation								
At 1 January 2017	5,654	—	1,602	4,874	258	535	2,491	15,414
Depreciation	2,097	—	409	1,870	81	179	290	4,926
Disposals	(95)	—	—	(572)	(11)	(51)	(1)	(730)
At 31 December 2017 and 1 January 2018	7,656	—	2,011	6,172	328	663	2,780	19,610
Depreciation	2,499	—	34	2,255	45	144	196	5,173
Disposals	—	—	—	(62)	—	—	(76)	(138)
At 31 December 2018 and 1 January 2019	10,155	—	2,045	8,365	373	807	2,900	24,645
Depreciation	2,702	—	—	2,733	56	181	94	5,766
At 31 December 2019	12,857	—	2,045	11,098	429	988	2,994	30,411
Net book value								
At 31 December 2017	69,982	3,107	34	18,565	110	609	672	93,079
At 31 December 2018	71,400	—	—	16,683	108	472	582	89,245
At 31 December 2019	74,826	—	—	41,496	153	784	1,754	119,013

As at 31 December 2017, 31 December 2018 and 31 December 2019, the Group's buildings with an aggregate net carrying amount of approximately RMB33,189,000, RMB32,712,000 and RMB31,513,000 respectively were pledged as securities for the bank borrowings as set out in Note 28.

As at 31 December 2019, the Group's plant and machinery with an aggregate net carrying amount of approximately RMB3,075,000 were pledged as securities for the bank borrowings as set out in Note 28.

As at 31 December 2017, 31 December 2018 and 31 December 2019, the Group's buildings with an aggregate net carrying amount of approximately RMB18,464,000, RMB17,832,000 and RMB17,201,000 respectively were pledged as securities for the other borrowings as set out in Note 28.

As at 31 December 2019, the Group's plant and machinery with an aggregate net carrying amount of approximately RMB5,237,000 were held under sale and leaseback liabilities.

During the year ended 31 December 2017, property, plant and equipment with an aggregate fair value of approximately RMB20,896,000 was disposed as a capital injection to a joint venture.

16. INTANGIBLE ASSETS

	Computer software *RMB'000*
Cost	
At 1 January 2017	119
Addition	27
At 31 December 2017 and 1 January 2018	146
Additions	57
At 31 December 2018, 1 January 2019 and 31 December 2019	203
Accumulated amortisation	
At 1 January 2017	48
Amortisation	13
At 31 December 2017 and 1 January 2018	61
Amortisation	15
At 31 December 2018 and 1 January 2019	76
Amortisation	15
At 31 December 2019	91
Net book value	
At 31 December 2017	85
At 31 December 2018	127
At 31 December 2019	112

17. INTEREST IN A JOINT VENTURE

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets other than goodwill	24,106	25,100	—

Note: On 15 April 2019, the Group completed the acquisition of 16.67% equity interests in Guangyuan Tongchuang and paid up the unpaid capital of RMB10,000,000 to Guangyuan Tongchuang. Upon completion of the acquisition, the Group indirectly holds 56.67% equity interests in Guangyuan Tongchuang and Guangyuan Tongchuang became a non-wholly owned subsidiary of the Group (Note 36).

Particulars of the Group's joint venture during the Relevant Periods, which is unlisted is as follows:

Name of joint venture	Place of establishment and operation	Percentage of ownership interest/ voting power/profit sharing As at 31 December 2017	2018	2019	Principal activities
Guangyuan Tongchuang	The PRC	40%	40%	N/A	Manufacturing, processing and sale of aluminium wires and cables and trading of aluminium products

The summarised financial information in respect of the Group's interest in the joint venture which is accounted for using equity method is set out below:

	Year ended 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Revenue	78,299	189,068
Total comprehensive income	264	3,863
Dividends received by the Group from the joint venture	—	(551)
Included in the above amounts are:		
Depreciation	648	2,166
Interest income	28	1
Interest expenses	241	685
Income tax expense	48	640

	As at 31 December	
	2017	2018
	RMB'000	*RMB'000*
Current assets	47,153	73,604
Non-current assets	31,820	30,019
Total assets	78,973	103,623
Current liabilities	(6,017)	(29,393)
Non-current liabilities	(12,692)	(11,499)
Net assets	60,264	62,731
Included in the above amounts are:		
Cash and cash equivalents	919	176
Current financial liabilities (excluding trade and other payables)	1,123	2,493
Non-current financial liabilities (excluding other payable and provision)	12,692	11,499

18. DEFERRED TAX

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	1,729	141	—
Deferred tax liabilities	—	—	1,061

(i) Deferred tax assets

Details of the deferred tax assets of the Group recognised and movements during the Relevant Periods are as follows:

	Tax losses
	RMB'000
At 1 January 2017	2,724
Charge to profit or loss for the year	(995)
At 31 December 2017 and 1 January 2018	1,729
Charge to profit or loss for the year	(1,588)
At 31 December 2018 and 1 January 2019	141
Charge to profit or loss for the year	(141)
At 31 December 2019	—

(ii) Deferred tax liabilities

Details of the deferred tax liabilities of the Group recognised and movement, during the Relevant Periods are as follows:

	Accelerated tax depreciation *RMB'000*
At 1 January 2017, 31 December 2017, 1 January 2018, 31 December 2018 and 1 January 2019	—
Charge to profit or loss for the year	1,061
As at 31 December 2019	1,061

19. RIGHT-OF-USE ASSETS

	Land use rights *RMB'000*	Plant and machinery *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2017	8,659	—	8,659
Additions	—	4,316	4,316
At 31 December 2017, 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	8,659	4,316	12,975
Accumulated depreciation			
At 1 January 2017	1,264	—	1,264
Depreciation	187	96	283
At 31 December 2017 and 1 January 2018	1,451	96	1,547
Depreciation	187	460	647
At 31 December 2018 and 1 January 2019	1,638	556	2,194
Depreciation	187	460	647
At 31 December 2019	1,825	1,016	2,841
Net book value			
At 31 December 2017	7,208	4,220	11,428
At 31 December 2018	7,021	3,760	10,781
At 31 December 2019	6,834	3,300	10,134

The right-of-use assets for the land use rights are leases in the PRC and are depreciated over range from 40 to 48 years on a straight-line basis.

As at 31 December 2017, 31 December 2018 and 31 December 2019, the Group's land use rights with an aggregate net carrying amount of approximately RMB7,208,000, RMB7,021,000 and RMB6,834,000 respectively were pledged as securities for the bank borrowings as set out in Note 28.

As at 31 December 2017, 31 December 2018 and 31 December 2019, the Group's land use right with a net carrying amount of approximately RMB1,017,000, RMB993,000 and RMB970,000 respectively was pledged as a security for the other borrowings as set out in Note 28.

20. INVENTORIES

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,709	1,033	5,424
Work-in-progress	2,599	1,997	8,154
Finished goods	10,878	5,467	7,193
	15,186	8,497	20,771

21. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	30,597	70,031	147,189
Less: Allowance for ECLs on trade receivables	(2,724)	(3,290)	(2,154)
	27,873	66,741	145,035
Bills receivables	—	200	3,000
	27,873	66,941	148,035

The credit period granted to customers is ranging from 0 to 365 days as at the end of each of the Relevant Periods.

An ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods, based on invoice date, is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	12,402	43,745	100,686
61 to 180 days	5,433	9,537	21,003
181 to 365 days	4,483	9,016	5,666
Over 365 days	8,279	7,733	19,834
	30,597	70,031	147,189

Movements in the allowance for ECLs on trade receivables are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,512	2,724	3,290
Allowance made during the year *(Note 10)*	289	566	—
Reversal of ECLs previously recognised *(Note 8 and 10)*	—	—	(1,136)
Bad debts written-off	(77)	—	—
At end of year	2,724	3,290	2,154

As at 31 December 2018 and 31 December 2019, trade receivables of a customer of approximately RMB2,452,000 and RMB2,797,000 respectively were pledged as securities for the other borrowings as set out in Note 28.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments for purchase of property, plants and equipment	595	4,993	190
Current:			
Prepayments			
— Due from third parties	239	1,624	4,148
— Due from a related party *(Note 35(b))*	133	—	—
Prepayments to suppliers	2,742	38,872	8,296
Deposits	301	242	946
Other receivables	9,425	20,061	20,007
Less: Allowance for ECLs on other receivables	(52)	(32)	(96)
	12,788	60,767	33,301
	13,383	65,760	33,491

Movements in the allowance for ECLs on other receivables are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	64	52	32
Allowance made during the year *(Note 10)*	—	—	64
Reversal of ECLs previously recognised *(Notes 8 and 10)*	(12)	(20)	—
At end of year	52	32	96

23. AMOUNTS DUE FROM/(TO) SHAREHOLDERS

The amounts due from/(to) shareholders are unsecured, non-interest bearing, repayable on demand, non-trade in nature and will be settled prior to the Listing.

	As at 31 December			Maximum balance outstanding during the year ended 31 December		
	2017	2018	2019	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from shareholders						
Mr. Wang Xiaozhong	23	363	—	23	363	511
Mr. Dang Jun	—	10	—	—	10	10
Mr. Dang Fei	—	—	5	—	—	1,065
	23	373	5	23	373	1,586

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Amount due to a shareholder			
Mr. Dang Fei	(12,309)	(899)	—

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use. Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash and cash equivalents are denominated in RMB.

25. CONTRACT LIABILITIES

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities arising from sales of goods	6,301	6,713	6,804

The Group's contract liabilities represent advance consideration received from customers as at the end of each of the Relevant Periods.

Movements in the contract liabilities during the Relevant Periods are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,412	6,301	6,713
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at beginning of year	(1,604)	(6,025)	(6,137)
Increase in contract liabilities as a result of cash received, excluding amounts recognised during the year	5,493	6,437	6,228
At end of year	6,301	6,713	6,804

26. TRADE AND BILLS PAYABLES

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— Due to third parties	9,672	23,711	67,849
— Due to a related party *(Note 35(b))*	24,352	32,666	—
	34,024	56,377	67,849
Bills payables	200	—	—
	34,224	56,377	67,849

The credit period on purchases from suppliers is generally ranging from 0 to 120 days as at the end of each of the Relevant Periods.

An ageing analysis of the Group's trade payables as at the end of each of the Relevant Periods, based on invoice date, is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	26,841	47,443	44,544
61 to 180 days	5,900	8,023	7,218
181 to 365 days	1,177	748	2,198
Over 365 days	106	163	13,889
	34,024	56,377	67,849

27. ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Accrued operating expenses			
— Due to third parties	61	1,878	3,010
— Due to a related party *(Note 35(b))*	175	549	—
Accrued listing expenses	—	1,585	2,838
Accrued employee benefit expenses	739	770	1,440
Payables for purchase of property, plant and equipment	6,672	2,364	3,795
Other taxes payables	90	215	562
Interest payables	80	93	109
Deposits received	9,083	9,733	174
Receipts in advance from a related party *(Note 35(b))*	1,201	1,212	—
Other payables	58	18	2,549
	18,159	18,417	14,477

28. BORROWINGS

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Secured and guaranteed interest-bearing bank borrowings repayable within one year *(Note (i))*	41,000	60,230	55,640
Secured and guaranteed interest-bearing other borrowings repayable within one year *(Note (ii))*	15,000	31,400	37,600
Sale and leaseback liabilities	—	—	2,238
	56,000	91,630	95,478
Non-current:			
Sale and leaseback liabilities	—	—	3,684

Notes:

(i) The bank borrowings are secured by:

(a) Buildings with an aggregate net carrying amount of approximately RMB33,189,000, RMB32,712,000 and RMB31,513,000 as at 31 December 2017, 31 December 2018 and 31 December 2019 respectively as disclosed in Note 15;

(b) Land use rights with an aggregate net carrying amount of approximately RMB7,208,000, RMB7,021,000 and RMB6,834,000 as at 31 December 2017, 31 December 2018 and 31 December 2019 respectively as disclosed in Note 19;

(c) Property of close family members of directors of the Company as disclosed in Note 35(c);

(d) Properties of the directors of the Company as disclosed in Note 35(d);

(e) Properties of the independent third parties;

(f) Properties of the Group's key management personnel and their close family members as disclosed in Note 35(g); and

(g) Plant and machinery with an aggregate net carrying amount of approximately RMB3,075,000 as at 31 December 2019 as disclosed in Note 15.

(ii) The other borrowings are secured by:

(a) Buildings with an aggregate net carrying amount of approximately RMB18,464,000, RMB17,832,000 and RMB17,201,000 as at 31 December 2017, 31 December 2018 and 31 December 2019 respectively as disclosed in Note 15; and

(b) Land use rights with a net carrying amount of approximately RMB1,017,000, RMB993,000 and RMB970,000 as at 31 December 2017, 31 December 2018 and 31 December 2019 respectively as disclosed in Note 19; and

(c) Properties of an independent third party; and

(d) Inventories of a shareholder of the Company; and

(e) Trade receivables of approximately RMB2,452,000 and RMB2,797,000 as at 31 December 2018 and 31 December 2019 respectively as disclosed in Note 21.

(iii) The bank borrowings and other borrowings are guaranteed by:

(a) directors of the Company;

(b) a shareholder of the Company;

(c) close family members of directors of the Company; and

(d) independent third parties.

The Group's bank and other borrowings are scheduled to repay as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	56,000	91,630	93,240

The Group's sale and leaseback liabilities are scheduled to repay as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	—	—	2,238
In the second year	—	—	1,956
In the third to fifth years, inclusive	—	—	1,728
	—	—	5,922

29. DEFERRED INCOME

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	—	3,557	3,189
Addition	3,680	—	—
Credit to profit or loss	(123)	(368)	(368)
At end of year	3,557	3,189	2,821
Less: Current portion	(368)	(368)	(368)
Non-current portion	3,189	2,821	2,453

Deferred income of the Group represents a government grant in respect of the purchase of plant and machinery of the Group.

30. LEASE LIABILITIES

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
	2017	2018	2019	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments due						
— Within one year	2,046	1,322	368	1,795	1,238	356
— In the second year	1,239	143	143	1,173	130	137
— In the third to fifth years, inclusive	333	190	48	314	184	47
	3,618	1,655	559	3,282	1,552	540
Less: Future finance charges	(336)	(103)	(19)	—	—	—
Present value of lease liabilities	3,282	1,552	540	3,282	1,552	540
Less: Amounts due for settlement within one year (shown under current portion)				(1,795)	(1,238)	(356)
Amounts due for settlement after one year but contain a repayment on demand clause (shown under current portion)				(1,049)	—	—
Non-current portion				438	314	184

The Group leases plant and machinery and building for production and these lease liabilities are measured at net present value of minimum lease payments during the leases terms that are not yet paid.

31. SHARE CAPITAL

	Number	Amount
		RMB'000
Authorised:		
Ordinary shares of US$1 each upon incorporation *(Note (a))*	50,000	345
At 31 December 2018 and 1 January 2019	50,000	345
Increase in ordinary shares of HK$0.01 each *(Note (b))*	38,000,000	336
Cancellation of ordinary shares of US$1 each *(Note (b))*	(50,000)	(345)
At 31 December 2019	38,000,000	336
Issued and fully paid:		
Issue of ordinary share of US$1 upon incorporation *(Note(a))*	1	—*
At 31 December 2018 and 1 January 2019	1	—*
Issue of ordinary share of HK$0.01 each *(Note (b))*	780	—*
Repurchase of ordinary share of US$1 each *(Note (b))*	(1)	—*
Issue of ordinary shares of HK$0.01 each *(Note (c))*	9,220	—*
At 31 December 2019	10,000	—*

* Represents the amount less than RMB1,000

Notes:

(a) On 9 October 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. Upon its incorporation, one ordinary share of US$1 each as fully paid (the "**USD-denominated Share**") was allotted and issued.

(b) On 8 January 2019, the authorised share capital of the Company was increased by HK$380,000 by the creation of 38,000,000 new ordinary shares of a par value of HK$0.01 each. The Company allotted and issued 780 such new ordinary shares as fully paid. At the same time, the Company repurchased the USD-denominated Share at a consideration of US$1 and the USD-denominated Share was cancelled upon repurchase. Immediately following such repurchase, the Company cancelled the 50,000 authorised but unissued shares of a par value of US$1 each in the share capital of the Company.

(c) On 20 May 2019, the Company allotted and issued 9,220 ordinary shares pursuant to Reorganisation. All the ordinary shares were credited as fully paid.

32. RESERVES

Details of the movements of the Group's reserves are as set out in the consolidated statements of changes in equity in Section I.

The following describes the nature and purpose of each reserve within owners' equity:

Reserves	Description and purpose
Capital reserves	The aggregate paid-up capital of the subsidiaries comprising the Group. In addition, on 29 May 2019, Saftower Management paid cash considerations of RMB2,304,000 to the then Shareholders of Guangyuan Saftower Technology in exchange for their equity interests in Guangyuan Saftower Technology as part of the Reorganisation.
Accumulated losses/retained earnings	Cumulative net gains and losses recognised in profit or loss.
Statutory reserves	In accordance with the Company Law of the PRC and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in the PRC, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve funds is 10%. The amount to be transferred to discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both statutory surplus reserve fund and discretionary reserves fund can be capitalised as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

33. OPERATING LEASE COMMITMENTS

The Group as lessor

As at the end of each of the Relevant Periods, the Group, as the lessor, has future minimum lease rental receivables under non-cancellable operating leases of the Group are as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,000	2,000	—
After one year but within two years	2,000	2,000	—
After two years but within three years	2,000	2,000	—
After three years but within four years	2,000	2,000	—
After four years but within five years	2,000	2,000	—
After five years	9,333	7,333	—
	19,333	17,333	—

During the Relevant Periods, the Group leases its buildings to the then joint venture, Guangyuan Tongchuang (Note 35(a)).

34. CAPITAL COMMITMENTS

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Commitments for property, plant and equipment:			
Contracted but not provided	5,845	7,751	360

35. RELATED PARTY DISCLOSURES

(a) Save as disclosed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods.

Name of related companies	**Relationship**	**Nature of transactions**	**Year ended 31 December 2017**	**2018**	**2019**
			RMB'000	*RMB'000*	*RMB'000*
Guangyuan Tongchuang	Joint venture	Dividend received	—	551	—
Guangyuan Tongchuang	Joint venture	Sales	12	244	709
Guangyuan Tongchuang	Joint venture	Purchases	45,901	94,473	28,018
Guangyuan Tongchuang	Joint venture	Sales of scrap metals and consumables	1,117	38	—
Guangyuan Tongchuang	Joint venture	Rental income	601	1,807	530
Guangyuan Tongchuang	Joint venture	Utility expenses	186	370	49
Chongqing Dexindi Trading Co., Ltd ("**Chongqing Dexindi**")	Related company *(note (f))*	Sales	21,078	3,228	—

The above related party transactions were conducted in accordance with terms mutually agreed between the parties.

(b) Balances with a related party

Name of related company	Relationship	Nature of balances	As at 31 December 2017	2018	2019
			RMB'000	*RMB'000*	*RMB'000*
Guangyuan Tongchuang	Joint venture	Prepayments (i)	133	—	—
Guangyuan Tongchuang	Joint venture	Trade payables (i)	24,352	32,666	—
Guangyuan Tongchuang	Joint venture	Receipts in advance (ii)	1,201	1,212	—
Guangyuan Tongchuang	Joint venture	Accruals (ii)	175	549	—

Notes:

(i) The balance is trade in nature.

(ii) The balance is non-trade in nature.

(c) As at the end of each of the Relevant Periods, close family members of the directors of the Company pledged their property as a security for the bank borrowings as set out in Note 28.

(d) As at the end of each of the Relevant Periods, directors of the Company pledged their properties as securities for the bank borrowings as set out in Note 28.

(e) Compensation to key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 11(a) and certain highest paid employees as disclosed in Note 11(b), during the Relevant Periods is as follows:

	Year ended 31 December 2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits	435	470	667
Contributions to defined contribution retirement plan	69	70	83
	504	540	750

(f) A shareholder of Chongqing Dexindi is a close family member of the Company's director.

(g) As at 31 December 2019, the Group's key management personnel and their close family members pledged their properties as securities for the bank borrowings as set out in Note 28.

36. ACQUISITION OF A SUBSIDIARY

On 15 April 2019, the Group completed the acquisition of 16.67% equity interests in Guangyuan Tongchuang and paid up the unpaid capital of RMB10,000,000 to Guangyuan Tongchuang. Guangyuan Tongchuang is engaged in the manufacturing, processing and sale of aluminium wires and cables and trading of aluminium products in the PRC. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Upon the completion of the acquisition, the Company indirectly holds 56.67% equity interests in Guangyuan Tongchuang and Guangyuan Tongchuang became a non-wholly owned subsidiary of the Group.

The fair value of the identifiable assets and liabilities arising from the acquisition of Guangyuan Tongchuang are as follows:

	RMB'000
Property, plant and equipment	18,883
Inventories	16,973
Trade and bills receivables	30,427
Prepayments, deposits and other receivables	4,938
Amount due from an owner	10,000
Cash and cash equivalents	90
Contract liabilities	(3,663)
Trade payables	(12,061)
Accruals and other payables	(756)
Income tax payable	(283)
	64,548
Non-controlling interests	(27,971)
Net assets acquired	36,577
Gain on a bargain purchase *(Note 8)*	(942)
	35,635
Satisfied by:	
Paying up the unpaid capital of the former owner	10,000
Interest in a joint venture	25,635
	35,635

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash and cash equivalents acquired	90

(i) The fair value of trade and bills receivables amounted to approximately RMB30,427,000. The gross amount of these receivables is approximately RMB30,427,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of other receivables amounted to approximately RMB3,841,000. The gross amount of these other receivables is approximately RMB3,841,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(ii) The acquisition-related costs of approximately RMB44,000 have been expensed and are included in administrative expenses.

(iii) In the opinion of the directors of the Group, a bargain purchase of approximately RMB942,000 was recognised in profit or loss upon the acquisition of Guangyuan Tongchuang and is attributable to the Group's bargaining power and ability in negotiating the agreed terms of transactions with the former owner.

(iv) Since the acquisition date, Guangyuan Tongchuang has contributed approximately RMB136,605,000 and RMB7,346,000 to the Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2019, Group revenue and profit would have been approximately

RMB707,414,000 and RMB31,091,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

(v) Gain on a bargain purchase included the gain on re-measurement of equity interests held in Guangyuan Tongchuang as at 15 April 2019 of approximately RMB184,000.

37. PRE-ACQUISITION FINANCIAL INFORMATION OF GUANGYUAN TONGCHUANG

As stated in Note 36, the Group acquired 16.67% equity interests in Guangyuan Tongchuang.

The financial information of Guangyuan Tongchuang for the period from 14 July 2017 to 31 December 2017, the year ended 31 December 2018 and the period from 1 January 2019 to 15 April 2019 ("**Period ended 15 April 2019**") (the "**Pre-Acquisition Financial Information**") has been prepared by the directors of Guangyuan Tongchuang in accordance with the accounting policies set out in Note 4, which conform with HKFRSs.

(a) Statements of profit or loss and other comprehensive income

	Notes	Period from 14 July 2017 to 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000	Period ended 15 April 2019 RMB'000
Revenue	(i)	78,299	189,068	50,611
Cost of sales		(76,305)	(178,514)	(47,053)
Gross profit		1,994	10,554	3,558
Other income and gains	(ii)	105	839	251
Selling and distribution expenses		(89)	(2,033)	(690)
Administrative and other expenses		(1,457)	(4,172)	(1,243)
Finance costs	(iii)	(241)	(685)	(301)
Profit before income tax expense	(iv)	312	4,503	1,575
Income tax expense	(v)	(48)	(640)	(237)
Profit and total comprehensive income for the period/year		264	3,863	1,338

(b) Statements of financial position

	Notes	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000	As at 15 April 2019 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	(vii)	18,103	17,669	18,883
Right-of-use assets	(viii)	13,702	12,285	11,871
Prepayments	(xi)	15	65	65
		31,820	30,019	30,819
Current assets				
Inventories	(ix)	5,030	6,766	16,973
Trade and bills receivables	(x)	24,438	51,198	30,427
Prepayments, deposits and other receivables	(xi)	6,766	5,464	4,873
Amount due from an owner	(xii)	10,000	10,000	10,000
Cash and cash equivalents	(xiii)	919	176	90
		47,153	73,604	62,363
Total assets		78,973	103,623	93,182
Current liabilities				
Contract liabilities	(xiv)	133	194	3,663
Trade payables	(xv)	4,380	25,458	12,061
Accruals and other payables	(xvi)	333	895	756
Borrowing	(xvii)	—	1,300	—
Lease liabilities	(xviii)	1,123	1,193	1,211
Income tax payable		48	353	283
		6,017	29,393	17,974
Net current assets		41,136	44,211	44,389
Total assets less current liabilities		72,956	74,230	75,208
Non-current liabilities				
Lease liabilities	(xviii)	12,692	11,499	11,139
		12,692	11,499	11,139
Net assets		60,264	62,731	64,069
EQUITY				
Registered capital	(xix)	60,000	60,000	60,000
Reserves		264	2,731	4,069
Total equity		60,264	62,731	64,069

(c) Statements of changes in equity

	Registered capital *RMB'000* *(Note (xix))*	Retained earnings *RMB'000*	Statutory reserves *RMB'000*	Total equity *RMB'000*
Upon establishment	60,000	—	—	60,000
Profit and total comprehensive income for the year	—	264	—	264
Transfer to statutory reserves	—	(27)	27	—
At 31 December 2017 and 1 January 2018	60,000	237	27	60,264
Profit and total comprehensive income for the year	—	3,863	—	3,863
Dividends *(note (vi))*	—	(1,396)	—	(1,396)
Transfer to statutory reserves	—	(386)	386	—
At 31 December 2018 and 1 January 2019	60,000	2,318	413	62,731
Profit and total comprehensive income for the period	—	1,338	—	1,338
Transfer to statutory reserves	—	(134)	134	—
At 15 April 2019	60,000	3,522	547	64,069

(d) Statements of cash flows

	Notes	Period from 14 July 2017 to 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*	Period ended 15 April 2019 *RMB'000*
Cash flows from operating activities				
Profit before income tax expense		312	4,503	1,575
Adjustments for:				
Depreciation of property, plant and equipment	(iv)	175	749	225
Depreciation of right-of-use assets	(iv)	473	1,417	414
Finance costs	(iii)	241	685	301
Interest income	(ii)	(28)	(1)	—
		1,173	7,353	2,515
Increase in inventories		(5,030)	(1,736)	(10,207)
(Increase)/decrease in trade and bills receivables		(24,438)	(26,760)	20,771
(Increase)/decrease in prepayments, deposits and other receivables		(3,730)	1,302	591
Increase in contract liabilities		133	61	3,469
Increase/(decrease) in trade payables		4,380	21,078	(13,397)
Increase/(decrease) in accruals and other payables		333	562	(139)

	Notes	Period from 14 July 2017 to 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000	Period ended 15 April 2019 RMB'000
Cash (used in)/generated from operations		(27,179)	1,860	3,603
Income tax paid		—	(335)	(307)
Net cash (used in)/generated from operating activities		(27,179)	1,525	3,296
Cash flows from investing activities				
Purchase of property, plant and equipment		(433)	(365)	(1,439)
Interest received		28	1	—
Net cash used in investing activities		(405)	(364)	(1,439)
Cash flows from financing activities				
Proceeds from borrowings		—	1,300	6,000
Repayments of borrowings		—	—	(7,300)
Interest paid on borrowings		—	—	(113)
Repayments of lease liabilities		(601)	(1,808)	(530)
Proceed from capital injections		29,104	—	—
Dividends paid		—	(1,396)	—
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 period/year		—	919	176
Cash and cash equivalents at end of period/year		919	176	90

(i) Revenue and segment information

Revenue represents the amounts received and receivable from manufacturing, processing and sale of aluminium wires and cables and trading of aluminium products.

Operating segment

Guangyuan Tongchuang has one operating segment based on information reported to the CODM of Guangyuan Tongchuang for the purpose of resources allocation and performance assessment, focuses on the operating results of Guangyuan Tongchuang as a whole. As a result, there is only one reportable operating segment of Guangyuan Tongchuang.

The accounting policies of the operating segment are the same as the Group's accounting policies described in Note 4.

Geographic information

Revenue of Guangyuan Tongchuang was all derived from customers based in the PRC and all non-current assets of Guangyuan Tongchuang are located in the PRC. Therefore no geographical segment reporting is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of Guangyuan Tongchuang is as follows:

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Customer i	29,767	93,108	28,018
Customer ii	17,915	N/A[1]	N/A[1]
Customer iii	16,134	N/A[1]	N/A[1]
Customer iv	N/A[1]	58,643	N/A[1]
Customer v	N/A[1]	N//A[1]	17,239

(1) The corresponding revenue did not contribute over 10% of total revenue of Guangyuan Tongchuang.

(ii) Other income and gains

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Interest income	28	1	—
Government grants and subsidies	—	250	—
Scrap sales	77	586	251
Others	—	2	—
	105	839	251

(iii) Finance costs

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on borrowings	—	—	113
Interest expenses on lease liabilities	241	685	188
	241	685	301

(iv) Profit before income tax expense

Profit before income tax expense is arrived after charging:

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration	—	5	—
Depreciation of property, plant and equipment	175	749	225
Depreciation of right-of-use asset	473	1,417	414
Employee benefit expense (including directors' remuneration):			
Wages, salaries, allowances and other benefits	944	3,249	817
Contributions to defined contribution retirement plan	91	532	157
	1,035	3,781	974

(v) Income tax expense

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Current tax	48	640	237
Income tax expense	48	640	237

Provision for the EIT in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the income tax laws and regulations in the PRC. However, Guangyuan Tongchuang is entitled to preferential tax rate of 15% in the PRC as mentioned below.

Guangyuan Tongchuang is subject to 10% income tax concession due to preferential tax policy of the development of the western region fulfilled for the period from 14 July 2017 to 31 December 2017, the year ended 31 December 2018 and the Period ended 15 April 2019. 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, EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

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

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax expense	312	4,503	1,575
Tax calculated at EIT of 25% in the PRC	78	1,126	394
Tax effect of non-deductible expenses	1	11	2
Tax effect of income taxed at preferential tax rate	(31)	(428)	(159)
Tax effect of temporary differences not recognised	—	(69)	—
Income tax expense	48	640	237

(vi) Dividends

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Dividends paid	—	1,396	—

During the year ended 31 December 2018, dividends of approximately RMB1,396,000 in respect of the period from 14 July 2017 to 31 December 2017 were declared and paid by Guangyuan Tongchuang to its owners.

(vii) Property, plant and equipment

	Plant and machinery *RMB'000*	Furniture and fixtures *RMB'000*	Computer and office equipment *RMB'000*	Motor vehicle *RMB'000*	Total *RMB'000*
Cost					
Upon establishment	—	—	—	—	—
Additions	17,880	15	380	3	18,278
At 31 December 2017 and 1 January 2018	17,880	15	380	3	18,278
Additions	68	47	200	—	315
At 31 December 2018 and 1 January 2019	17,948	62	580	3	18,593
Additions	1,439	—	—	—	1,439
At 15 April 2019	19,387	62	580	3	20,032
Accumulated depreciation					
Upon establishment	—	—	—	—	—
Depreciation	166	1	8	—	175
At 31 December 2017 and 1 January 2018	166	1	8	—	175
Depreciation	672	13	64	—	749
At 31 December 2018 and 1 January 2019	838	14	72	—	924
Depreciation	197	6	22	—	225
At 15 April 2019	1,035	20	94	—	1,149
Carrying amount					
At 31 December 2017	17,714	14	372	3	18,103
At 31 December 2018	17,110	48	508	3	17,669
At 15 April 2019	18,352	42	486	3	18,883

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	3%–10%
Furniture and fixtures	20%–30%
Computer and office equipment	10%–20%
Motor vehicle	10%

(viii) Right-of-use assets

	Buildings
	RMB'000
Cost	
Upon establishment	—
Addition	14,175
At 31 December 2017, 1 January 2018, 31 December 2018, 1 January 2019 and 15 April 2019	14,175
Accumulated depreciation	
Upon establishment	—
Depreciation	473
At 31 December 2017 and 1 January 2018	473
Depreciation	1,417
At 31 December 2018 and 1 January 2019	1,890
Depreciation	414
At 15 April 2019	2,304
Net book value	
At 31 December 2017	13,702
At 31 December 2018	12,285
At 15 April 2019	11,871

(ix) Inventories

	As at 31 December		As at 15 April
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	988	2,474	5,164
Work-in-progress	1,930	1,492	11,537
Finished goods	2,112	2,800	272
	5,030	6,766	16,973

(x) Trade and bills receivables

	As at 31 December		As at 15 April
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
— Due from third parties	86	16,532	11,921
— Due from a related party *(Note xx (b))*	24,352	32,666	8,506
	24,438	49,198	20,427
Bills receivables *(Note)*	—	2,000	10,000
	24,438	51,198	30,427

Note: During the Period ended 15 April 2019, the bills receivables were pledged for the other borrowings as disclosed in Note *xvii*.

The credit terms granted to customers range generally from 0 to 90 days.

An ageing analysis of trade receivables as at the end of each of the reporting period, based on invoice date, is as follows:

	As at 31 December		As at 15 April
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	24,438	34,116	14,916
61 to 180 days	—	15,082	675
181 to 365 days	—	—	4,836
	24,438	49,198	20,427

An ageing analysis of trade receivables as at the end of each of the reporting period, based on due date is as follows:

	As at 31 December		As at 15 April
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Current (not past due)	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
	24,438	49,198	20,427

The management of Guangyuan Tongchuang closely monitors the credit quality of trade receivables and considers the debts that neither past due nor impaired to be at good credit quality. Trade receivables that are neither past due nor impaired relates to wide range of customers for whom there was no history of default.

The management of Guangyuan Tongchuang consistently applies the same credit policy of the Group and monitors the credit risk exposure to trade and bill receivables during the reporting period.

At 31 December 2017, 31 December 2018 and 15 April 2019, Guangyuan Tongchuang has a concentration of credit risk on trade receivables from 1, 1 and 1 customers respectively. The management of the Group considers the credit risk of the trade and bill receivables from this customer is limited as the Group continuously perform credit evaluation on the financial conditions of the related party.

Guangyuan Tongchuang measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix and no allowances for ECLs on trade and bill receivables was recognised during the reporting period.

(xi) Prepayments, deposits and other receivables

	As at 31 December		As at 15 April
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayments for purchase of property, plant and equipment	15	65	65
Current:			
Prepayments			
— Due from third parties	211	159	174
— Due from a related party *(Note xx (b))*	1,201	1,212	682
Prepayments to suppliers			
— Due from third parties	1,436	1,104	1
— Due from a related party *(Note xx (b))*	45	—	—
Deposits	—	175	175
Other receivables			
— Due from third parties	3,743	2,265	3,236
— Due from a related party *(Note xx (b))*	130	549	605
	6,766	5,464	4,873
	6,781	5,529	4,938

The management of Guangyuan Tongchuang consistently applies the same credit policy of the Group and monitors the credit risk exposure to deposits and other receivables during the reporting period.

Guangyuan Tongchuang has assessed the ECLs for deposits and other receivables under the 12 months ECL method and no allowances for ECLs on deposits and other receivables was recognised during the reporting period.

(xii) Amount due from an owner

The amount due from an owner is unsecured, non-interest bearing, repayable on demand and non-trade in nature.

	As at 31 December 2017	As at 31 December 2018	As at 15 April 2019	Maximum balance outstanding during the period from 14 July 2017 to 31 December 2017	Maximum balance outstanding during the year ended 31 December 2018	Maximum balance outstanding during the period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from an owner						
Mr. Li Zhanwei	10,000	10,000	10,000	10,000	10,000	10,000

The management of Guangyuan Tongchuang considers the probability of default is negligible in view of the latest repayment history of the owner and no loss allowance was recognised during the reporting period.

(xiii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use. Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash and cash equivalents are denominated in RMB.

The management of Guangyuan Tongchuang consider the probability of default is negligible as the deposits are placed in banks having good reputation and no loss allowance was recognised during the reporting period.

(xiv) Contract liabilities

	As at 31 December 2017	As at 31 December 2018	As at 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities arising from sale of goods			
— Due to third parties	—	194	3,663
— Due to a related party *(Note xx (b))*	133	—	—
	133	194	3,663

Contract liabilities represent advance consideration received from customers as at the end of each of the reporting period.

Movements in the contract liabilities during the reporting period are as follows:

	Period from 14 July 2017 to 31 December 2017	Year ended 31 December 2018	Period ended 15 April 2019
	RMB'000	*RMB'000*	*RMB'000*
At beginning of period/year	—	133	194
Decrease in contract liabilities as a result of recognising revenue during the period/year that was included in the contract liabilities at beginning of period/year	—	(133)	(194)
Increase in contract liabilities as a result of cash received, excluding amounts recognised during the period/year	133	194	3,663
At end of period/year	133	194	3,663

(xv) Trade payables

	As at 31 December		As at 15 April
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— Due to third parties	4,380	25,458	11,259
— Due to related parties *(Note xx (b))*	—	—	802
	4,380	25,458	12,061

The credit period on purchase from suppliers is generally ranging from 0 to 120 days as at the end of each of the reporting period.

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

	As at 31 December		As at 15 April
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	3,965	23,134	9,958
61 to 180 days	415	1,679	2,000
181 to 365 days	—	638	96
Over 365 days	—	7	7
	4,380	25,458	12,061

The total contractual undiscounted cash flow of trade payables amounts to RMB4,380,000, RMB25,458,000 and RMB12,061,000 as at 31 December 2017, 31 December 2018 and 15 April 2019 respectively and trade payables are required to pay within one year.

(xvi) Accruals and other payables

	As at 31 December		As at 15 April
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Other payables			
— Due to third parties	10	415	691
— Due to a related party *(Note xx (b))*	—	—	3
Accrued expenses	294	459	62
Other taxes payable	29	21	—
	333	895	756

The total contractual undiscounted cash flow of accruals and other payables (excluding other taxes payable) amounts to RMB304,000, RMB874,000 and RMB756,000 as at 31 December 2017, 31 December 2018 and 15 April 2019 respectively and such accruals and other payables are required to pay within one year.

(xvii) Borrowing

	As at 31 December		As at 15 April
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Unsecured and unguaranteed interest-free other borrowing repayable within one year	—	1,300	—

The borrowing is scheduled to repay as follows:

	As at 31 December		As at 15 April
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Within one year or on demand	—	1,300	—

The other borrowing is secured by bills receivables with an aggregate carrying amount of RMB10,000,000 as at 15 April 2019 as disclosed in Note *x*.

The following table details the interest rate profile of borrowing at the end of each of the reporting period.

	As at 31 December				As at 15 April	
	2017		2018		2019	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings						
Borrowing	—	—	—	1,300	13%	—

The total contractual undiscounted cash flow of borrowing amounts to nil, RMB1,300,000 and nil as at 31 December 2017, 31 December 2018 and 15 April 2019 respectively and borrowing is required to pay within one year.

(xviii) Lease liabilities

	Minimum lease payments			Present values of minimum lease payments		
	As at 31 December		As at 15 April	As at 31 December		As at 15 April
	2017	2018	2019	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments due						
— Within one year	1,808	1,818	1,818	1,123	1,193	1,211
— In the second year	1,818	1,818	1,818	1,193	1,256	1,275
— In the third to fifth years, inclusive	5,455	5,455	5,455	3,970	4,179	4,242
— After five years	8,484	6,666	6,136	7,529	6,064	5,622
	17,565	15,757	15,227	13,815	12,692	12,350
Less: Future finance charges	(3,750)	(3,065)	(2,877)	—	—	—
Present value of lease liabilities	13,815	12,692	12,350	13,815	12,692	12,350
Less: Current portion				(1,123)	(1,193)	(1,211)
Non-current portion				12,692	11,499	11,139

Guangyuan Tongchuang leases buildings for production and this lease liability is measured at net present value of minimum lease payments during the lease terms that are not yet paid.

The effective interest rates of lease liabilities are 5.15%, 5.15% and 5.15% which are fixed as at 31 December 2017, 31 December 2018 and 15 April 2019 respectively. The total contractual undiscounted cash flow of lease liabilities amounted to RMB17,565,000, RMB15,757,000 and RMB15,227,000 as at 31 December 2017, 31 December 2018 and 15 April 2019 respectively and lease liabilities are required to pay as disclosed under minimum lease payments.

(xix) Registered capital

The share capital of Guangyuan Tongchuang as at 31 December 2017, 31 December 2018 and 15 April 2019 represents the sum of registered capital of Guangyuan Tongchuang.

(xx) Related party disclosures

(a) Guangyuan Tongchuang had the following material related party transactions during the reporting periods:

Name of related companies	Relationship	Nature of transactions	Period from 14 July 2017 to 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*	Period ended 15 April 2019 *RMB'000*
Guangyuan Saftower	Owner	Dividend paid	—	551	—
Guangyuan Saftower	Owner	Sales	16,134	1,365	—
Guangyuan Saftower	Owner	Purchases of scrap metals and consumables	1,117	38	—
Guangyuan Saftower	Owner	Rental expenses	601	1,807	530
Guangyuan Saftower	Owner	Reimbursement of utility expenses	186	370	49
Sichuan Saftower	Owner	Sales	29,767	93,108	28,018
Sichuan Saftower	Owner	Purchases	12	244	15
Guangyuan Shuneng	An associate of Tongsheng Guochuang who is one of the owners Guangyuan Tongchuang	Purchase	—	—	694

(b) Balance with related parties

Name of related companies	Relationship	Nature of balances	As at December 2017 *RMB'000*	As at December 2018 *RMB'000*	As at 15 April 2019 *RMB'000*
Sichuan Saftower	Owner	Trade payables (i)	—	—	17
Sichuan Saftower	Owner	Trade receivables (i)	24,352	32,666	8,506
Guangyuan Saftower	Owner	Prepayments (ii)	1,201	1,212	682
Guangyuan Saftower	Owner	Prepayments to suppliers (i)	45	—	—
Guangyuan Saftower	Owner	Other receivables (ii)	130	549	605
Guangyuan Saftower	Owner	Contract liabilities (i)	133	—	—
Guangyuan Saftower	Owner	Other payables (ii)	—	—	3
Guangyuan Shuneng	An associate of Tongsheng Guochuang who is one of the owners of Guangyuan Tongchuang	Trade payables (i)	—	—	785

Notes:

(i) The balance is trade in nature.

(ii) The balance is non-trade in nature.

(c) During the Period ended 15 April 2019, Guangyuan Tongchuang pledged its bills receivables as securities for the facility of the other borrowings. As at 15 April 2019, the other borrowings were fully repaid.

(xxi) Note to the statements of cash flows

(a) Major non-cash transactions

(i) During the period from 14 July 2017 to 31 December 2017, Guangyuan Tongchuang initially recognises right-of-use assets and lease liabilities of approximately RMB14,175,000.

(ii) During the period from 14 July 2017 to 31 December 2017, property, plant and equipment with an aggregate fair value of approximately RMB20,896,000 was recognised as an consideration of capital injection from the Group.

(iii) During the period from 14 July 2017 to 31 December 2017, amount due from an owner, Mr. Li Zhanwei, of approximately RMB10,000,000 was capitalised into share capital of Guangyuan Tongchuang.

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings	**Dividend payable**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*
	(Note xvii)		*(Note xviii)*
Upon establishment	—	—	—
Changes from financing cash flows:			
Payments of lease liabilities	—	—	(601)
Total changes from cash flows	—	—	(601)
Non-cash changes:			
Additions of lease liabilities	—	—	14,175
Interest expenses — Lease liabilities	—	—	241
Total other changes	—	—	14,416
At 31 December 2017 and 1 January 2018	—	—	13,815
Changes from financing cash flows:			
Proceeds from borrowings	1,300	—	—
Dividends paid	—	(1,396)	—
Payments of lease liabilities	—	—	(1,808)
Total changes from cash flows	1,300	(1,396)	(1,808)
Non-cash changes:			
Interest expenses — Lease liabilities	—	—	685
2017 final dividends declared	—	1,396	—
Total other changes	—	1,396	685
At 31 December 2018 and 1 January 2019	1,300	—	12,692

	Borrowings	Dividend payable	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*
	(Note xvii)		*(Note xviii)*
Changes from financing cash flows:			
Proceeds from borrowings	6,000	—	—
Repayments of borrowings	(7,300)	—	—
Payments of lease liabilities	—	—	(530)
Interest paid on borrowings	(113)	—	—
Total changes from cash flows	(1,413)	—	(530)
Non-cash changes:			
Interest expenses — Lease liabilities	—	—	188
Interest expenses — Borrowings	113	—	—
Total other changes	113	—	188
At 15 April 2019	—	—	12,350

38. LITIGATION

On 14 December 2018, the Group entered into the 2018 Aluminium Oxide Supply Agreement with Guizhou Galuminium Aluminium-oxide Co., Ltd ("**Guizhou Galuminium**") to purchase aluminium oxide as agent for Sichuan Guangyuan Aostar Aluminium Materials Company Limited. In March 2020, Guizhou Galuminium filed a claim against the Group alleging breach of contract and claiming payment of approximately RMB6,351,000, being the damages of the alleged unpurchased aluminium oxide for the year ended 31 December 2019 (RMB300 per unpurchased tonne). The Group received a notice from the People's Court of Qingzhen City, Guizhou Province (貴州省清鎮市人民法院) to conduct pre-litigation mediation with Guizhou Galuminium within 30 days (subject to extension if mutually agreed by the parties). The Group is still in negotiations with Guizhou Galuminium.

Having considered the facts and circumstances of the claim, the Directors determined that no provision for the claim was made for the year ended 31 December 2019. The legal opinion from the legal advisers mentioned that the risk that the Group will be ultimately held liable in respect of the claim is remote.

39. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2017, the Group initially recognised right-of-use assets and lease liabilities of approximately RMB3,738,000.

(ii) During the year ended 31 December 2017, property, plant and equipment with an aggregate fair value of approximately RMB20,896,000 was disposed as an consideration of interest in a joint venture.

(iii) During the year ended 31 December 2017, inventories of approximately RMB3,107,000 was transferred to construction in progress.

(b) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities:

	Borrowings *RMB'000* *(Note 28)*	Interest payables *RMB'000* *(Note 27)*	Lease liabilities *RMB'000* *(Note 30)*	Amount due to a shareholder *RMB'000* *(Note 23)*	Amount due to a related company *RMB'000*
At 1 January 2017	38,000	293	—	9,275	366
Changes from financing cash flows:					
Proceeds from borrowings/a shareholder	60,000	—	—	3,034	—
Repayments of borrowings/to a related company	(42,000)	—	—	—	(366)
Payments of lease liabilities	—	—	(596)	—	—
Interest paid on borrowings	—	(4,330)	—	—	—
Total changes from cash flows	18,000	(4,330)	(596)	3,034	(366)
Non-cash changes:					
Additions of lease liabilities	—	—	3,738	—	—
Interest expenses — Lease liabilities	—	—	140	—	—
Interest expenses — Borrowings	—	4,117	—	—	—
Total other changes	—	4,117	3,878	—	—
At 31 December 2017 and 1 January 2018	56,000	80	3,282	12,309	—
Changes from financing cash flows:					
Proceeds from borrowings	91,880	—	—	—	—
Repayments of borrowings/to a shareholder	(56,250)	—	—	(11,410)	—
Payments of lease liabilities	—	—	(1,963)	—	—
Interest paid on borrowings	—	(6,269)	—	—	—
Total changes from cash flows	35,630	(6,269)	(1,963)	(11,410)	—
Non-cash changes:					
Interest expenses — Lease liabilities	—	—	233	—	—
Interest expenses — Borrowings	—	6,282	—	—	—
Total other changes	—	6,282	233	—	—
At 31 December 2018 and 1 January 2019	91,630	93	1,552	899	—
Changes from financing cash flows:					
Proceeds from borrowings	103,140	—	—	—	—
Repayments of borrowings/to a shareholder	(95,608)	—	—	(899)	—
Payments of lease liabilities	—	—	(1,090)	—	—
Interest paid on borrowings	—	(7,783)	—	—	—
Total changes from cash flows	7,532	(7,783)	(1,090)	(899)	—
Non-cash changes:					
Interest expenses — Lease liabilities	—	—	78	—	—
Interest expenses — Borrowings	—	7,799	—	—	—
Total other changes	—	7,799	78	—	—
At 31 December 2019	99,162	109	540	—	—

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amount of each of the categories of the Group's financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
Trade and bills receivables	27,873	66,941	148,035
Deposits and other receivables	9,674	20,271	20,857
Amounts due from shareholders	23	373	5
Cash and cash equivalents	4,907	1,614	2,726
	42,477	89,199	171,623
Financial liabilities			
Financial liabilities at amortised cost			
Trade and bills payables	34,224	56,377	67,849
Accruals and other payables	7,785	7,257	13,741
Borrowings	56,000	91,630	99,162
Lease liabilities	3,282	1,552	540
Amount due to a shareholder	12,309	899	—
	113,600	157,715	181,292

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to credit risk, market risks (including foreign currency risk and interest rates risk) and liquidity risk arising in the ordinary course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The directors of the Company are responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the board of directors.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risk. If necessary, market risk exposures are measured using sensitivity analysis indicated below.

(a) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables amounts due from shareholders and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Trade and bills receivables arising from contracts with customers

In respect of trade and bills receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Normally, the Group does not obtain collateral from customers except a customer, who was granted a credit period of 365 days in respect of sale of aluminium and copper cables and cable accessories and has business relationship with the Group since 2015, pledged the assets in favour to the Group. Therefore, the management of the Group is in the opinion that the Group does not have significant credit risk exposure of the customers.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables at the end of each of the Relevant Periods:

	Gross carrying amount	**Lifetime ECLs**	**Net carrying amount**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2017			
Current (not past due)	4,364	(1)	4,363
Past due 1 to 60 days	8,661	(1)	8,660
Past due 61 to 180 days	5,164	(29)	5,135
Past due 181 to 365 days	4,739	(120)	4,619
Past due over 365 days	7,669	(2,573)	5,096
	30,597	(2,724)	27,873
As at 31 December 2018			
Current (not past due)	43,684	(1)	43,683
Past due 1 to 60 days	6,671	(1)	6,670
Past due 61 to 180 days	7,620	(84)	7,536
Past due 181 to 365 days	4,796	(307)	4,489
Past due over 365 days	7,260	(2,897)	4,363
	70,031	(3,290)	66,741
As at 31 December 2019			
Current (not past due)	20,041	(1)	20,040
Past due 1 to 60 days	103,139	(1)	103,138
Past due 61 to 180 days	13,346	(99)	13,247
Past due 181 to 365 days	5,317	(273)	5,044
Past due over 365 days	5,346	(1,780)	3,566
	147,189	(2,154)	145,035

Expected loss rates are based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which may impact the customers' ability to repay the outstanding balances in order to estimate the ECLs for the impairment assessment.

The rates of ECLs for trade and bills receivables within the age group of current (not past due), past due 1 to 60 days, past due 61 to 180 days, past due 181 to 365 days and past due over 365 days of collective assessment and for individual assessment range from 0.01% to 33.55%, 0.01% to 39.90% and 0.01% to 33.30% as at 31 December 2017, 31 December 2018 and 31 December 2019.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or customers having similar characteristics rather than the industry or country in which the customers operate and therefore significant concentration of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2017, 31 December 2018 and 31 December 2019, 11.0%, 29.6% and 42.8% of the total trade and bills receivables were due from Group's five largest customers, and nil, 2.0% and 5.8% of total trade and bills receivables were due from the Group's largest customer respectively.

Deposits and other receivables

As at 31 December 2017, 31 December 2018 and 31 December 2019, the management of the Group takes into account the historical default experience and forward-looking information, as appropriate, for example the Group considers the consistently low historical default rates of counterparties and concludes that credit risk inherent in the Group's outstanding deposits and other receivables is insignificant. The Group has assessed the ECLs for deposits and other receivables under the 12 months ECL method and recognised reversal of ECLs on deposits and other receivables of RMB12,000 and RMB20,000, and allowance for ECLs on other receivables of RMB64,000 during the years ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively.

The rates of ECLs for deposits and other receivables of 12 months ECL assessment range from 0.01% to 0.94%, 0.01% to 1.33% and 0.01% to 1.20% as at 31 December 2017, 31 December 2018 and 31 December 2019 respectively.

Amounts due from shareholders

The management of the Group considers the probability of default is negligible in view of the latest repayment history of the shareholders and no loss allowance was recognised during the year ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively.

Cash and cash equivalents

The management of the Group considers the probability of default is negligible as the deposits are placed in banks having good reputation and no loss allowance was recognised during the year ended 31 December 2017, 31 December 2018 and 31 December 2019 respectively.

(b) Foreign currency risk

The Group has no significant foreign currency risk as its business transactions, majority of its recognised assets and liabilities are principally denominated in RMB, its functional currency. Accordingly, sensitivity analysis has not been disclosed. The Group currently does not have any hedge instruments to hedge against other foreign currency transactions.

(c) Interest rate risk

The Group's interest-rate risk mainly arises from borrowings and lease liabilities as disclosed in Notes 28 and 30. Borrowings were issued at floating rate and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The following table details the interest rate profile of the Group's borrowings and lease liabilities at the end of each of the Relevant Periods.

	As at 31 December					
	2017		2018		2019	
	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount	Effective interest rate	Carrying amount
	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate borrowings:						
Borrowings	7.50%–16.00%	15,000	7.50%–15.00%	25,000	3.97%–15.00%	35,122
Lease liabilities	4.99%–10.71%	3,282	4.99%–10.71%	1,552	4.99%	540
Floating rate borrowing:						
Borrowings	5.19%–9.00%	41,000	4.35%–9.00%	66,630	4.35–9.00%	64,040

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings and bank deposits. The analysis is prepared assuming that the amount of liabilities outstanding at the end of each of the Relevant Periods were outstanding for the whole year. 100 basis points increase or decrease represent management's assessment of the reasonably possible change in interest rates of borrowings and bank deposits.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the Relevant Periods do not reflect the exposures during the Relevant Periods.

If interest rates on borrowings and bank deposits had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 is as follows:

	Year ended 31 December		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Increase/(decrease) in profit for the year			
— as a result of increase in interest rate	(271)	(488)	(460)
— as a result of decrease in interest rate	271	488	460

(d) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements in order to maintain sufficient reserve of cash and adequate committed lines of funding from major banks, if necessary, to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Relevant Periods and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. For bank borrowings and lease liabilities which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of each of the Relevant Periods.

	Carrying amount	Total contractual undiscounted cash flow	On demand or within 1 year	Between 1 to 2 years	Between 2 to 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017					
Trade and bills payables	34,224	34,224	34,224	—	—
Accruals and other payables	7,785	7,785	7,785	—	—
Borrowings	56,000	57,921	57,921	—	—
Lease liabilities	3,282	3,618	3,142	143	333
Amount due to a shareholder	12,309	12,309	12,309	—	—
	113,600	115,857	115,381	143	333
At 31 December 2018					
Trade and bills payables	56,377	56,377	56,377	—	—
Accruals and other payables	7,257	7,257	7,257	—	—
Borrowings	91,630	94,030	94,030	—	—
Lease liabilities	1,552	1,655	1,322	143	190
Amount due to a shareholder	899	899	899	—	—
	157,715	160,218	159,885	143	190
At 31 December 2019					
Trade and bills payables	67,849	67,849	67,849	—	—
Accruals and other payables	13,741	13,741	13,741	—	—
Borrowings	99,162	106,767	102,576	2,286	1,905
Lease liabilities	540	559	368	143	48
	181,292	188,916	184,534	2,429	1,953

42. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of debts, which includes amount due to a shareholder, borrowings and lease liabilities, cash and cash equivalents and total equity, comprising share capital and reserves. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The net debt and net debt to equity ratio as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	56,000	91,630	99,162
Lease liabilities	3,282	1,552	540
Amount due to a shareholder	12,309	899	—
Less: Cash and cash equivalents	(4,907)	(1,614)	(2,726)
Net debt	66,684	92,467	96,976
Total equity	57,965	87,361	139,401
Net debt to equity ratio	115%	106%	70%

43. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, subsequent to 31 December 2019, the following significant event took place:

(a) Share Option Scheme

The Company has conditionally adopted the Share Option Scheme on 10 June 2020. A summary of the principal terms of the Share Option Scheme is set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix V to this prospectus.

(b) Impact of the Novel Coronavirus Pneumonia outbreak

Since early 2020, the outbreak of the novel coronavirus ("COVID-19") has brought about additional uncertainties in the Group's operating environment and may impact the business and operations of the Group as its operations are located in China.

As far as the Group's businesses are concerned, COVID-19 may cause (i) temporary suspension and shortage of labour and raw materials; (ii) delays in manufacturing, sales and delivery of the products; (iii) increasing pressure on costs and operational expenses as well as cash flow positions of certain projects; and (iv) potential impact on the financial results of the Group, the extent of which cannot be estimated as at the date of this report.

The Group will continue to closely monitor the development of the COVID-19 epidemic, assess and actively respond to its impact on the financial condition, operating results and other aspects of the Group. As of the date of this report, the assessment is still in progress. The actual impacts may differ from these estimates as the situation continues to evolve and further information may become available.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any periods subsequent to 31 December 2019 up to the date of this report.