You should read the following discussion of our financial condition and results of operations in conjunction with our combined financial statements and related notes set out in the Accountants' Report included in Appendix I to this **[REDACTED]**. *The Accountants' Report contains our audited combined financial statements as at and for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018. Our combined financial statements have been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set out in the section headed "Risk Factors" and elsewhere in this* **[REDACTED]**.

OVERVIEW

Our Group mainly provides materials for construction projects. Our Cable Business mainly provides bridge cables for long-span bridges and our Prestressed Materials Business mainly provides prestressed materials for various infrastructure construction. We are principally engaged in the following two business segments:

Cable Business. We focus on the manufacture and supply of cables for construction of bridges. In addition, we also manufacture a relatively small amount of cables for use in constructing various architectural structures such as stadiums and exhibition centres. Our main product lines include suspension cables and stay cables. We operate our Cable Business under the brand of "Pujiang Cable (浦江纜索)" and mainly carry out the production of bridge cables at our production facility situated in Xitang, Zhejiang Province in China.

Prestressed Materials Business. We mainly engage in the manufacture of prestressed materials for infrastructure construction. Our main lines of products include rare earth coated prestressed products, plain surface prestressed products and galvanised prestressed products. We operate our Prestressed Materials Business under the brand of "Ossen (奧盛)"and carry out our production of prestressed materials at our two production facilities situated in Maanshan, Anhui Province and Jiujiang, Jiangxi Province in China.

During the Track Record Period, we generated around 70% of our revenue from our Prestressed Materials Business. For the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, we generated revenue in the amounts of RMB1,018.6 million, RMB1,081.9 million, RMB1,317.7 million and RMB617.3 million, respectively, and our profit for the year was RMB64.4 million, RMB74.9 million, RMB88.7 million and RMB51.3 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 26 April 2017. We underwent a reorganisation in anticipation of the **[REDACTED]**, pursuant to which our Company became the holding company of the companies now comprising our Group. As the companies now comprising our Group were under the common control of Dr. Tang before and after the Reorganisation, the Reorganisation has been accounted for on the basis of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. Accordingly, our combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have included the results, changes in equity and cash flows of the companies now comprising our Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Track Record Period. Our combined statements of financial position of the Group as of 31 December 2015, 2016, 2017 and 30 June 2018 have been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at those dates. No adjustments were made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Product mix

Our results of operations depend on the product mix we sell during the Track Record Period. During the Track Record Period, our revenue was derived from our Cable Business and Prestressed Materials Business. Revenue from Cable Business accounted for 27.8%, 28.0%, 32.3%, 27.1% and 30.7% of our total revenue in 2015, 2016, 2017 and the six months ended 30 June 2017 and 2018, respectively. Revenue from Prestressed Materials Business accounted for 72.2%, 72.0%, 67.7%, 72.9% and 69.3% of our total revenue in 2015, 2016, 2017 and the six months ended 30 June 2017 and 2018, respectively.

In 2015, 2016, 2017 and the first half of 2017 and 2018, the gross profit margin of our Cable Business was 34.6%, 34.7%, 34.6%, 35.2% and 31.5%, respectively. The profit margins of our Cable Business vary based on each project that we bid and enter into contract with. Factors include the complexity and type of bridge or infrastructure project, the nature of and relationship with the customer, market demand, the quantity and type of cables purchased and the overall project value. During the Track Record Period, the gross profit margin for our stay cable projects ranged from 23.2% to 37.9%, while the gross profit margin for our suspension cable projects ranged from 31.2% to 39.5%.

In 2015, 2016, 2017 and the first half of 2017 and 2018, the gross profit margin of our Prestressed Materials Business was 13.0%, 14.0%, 11.1%, 9.2% and 14.8%, respectively. The profit margins of our Prestressed Materials Business vary based on the type of products we sell, which in turn are based on market demand and the customer orders received. In particular, a significant proportion of our sales have been for our rare earth coated prestressed products, which constituted 72.3%, 86.6%, 85.3%, 86.2% and 86.7% of our total revenues from our Prestressed Materials Business in 2015, 2016, 2017 and the first half of 2017 and 2018, respectively. During the Track Record Period, the gross profit margin for sales of our rare earth coated prestressed products ranged from 7.0% to 13.3%.

As different products generally have different demand, prices and margins, our results of operations will be affected by the product mix we sell in a particular period. Our profitability is also affected by our ability to accurately estimate our costs of production under our pricing structure. For the Prestressed Materials Business, we generally adopt a cost-plus pricing structure, while for the Cable Business, our selling prices are determined based on the nature of each individual project, with the cost of production being one of the key factors. Please refer to the section headed "Financial Information — Description of Selected Combined Statement of Profit or Loss Line Items — Average selling price and volume". Changes to the average cost of raw materials may also affect our profitability to the extent we cannot or do not pass on the changes to our customers. Raw material costs accounted for approximately 94% to 96% of our total cost of sales during the Track Record Period. For reasons of historical changes in the gross profit margin of our Cable Business and Prestressed Materials Business, please refer to the section headed "Financial Information — Period to Period Comparison of Results of Operations".

Cost of major raw materials

The cost of raw materials represents a substantial part of our cost of sales. For the year ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2017 and 2018, the cost of raw materials accounted for 93.9%, 95.0%, 95.8%, 94.7% and 95.8% of our total cost of sales, respectively. The major raw material we use for our Prestressed Materials Business are high carbon steel wire rods which can be further manufactured into galvanised prestressed wires used in our Cable Business. High carbon steel wire rods and the galvanised prestressed wires in total represented over 90% of our cost of raw materials over the Track Record Period. For the years ended 31 December 2015, 2016, 2017 and six months ended 30 June 2017 and 2018, the average cost of our high carbon steel wire rods per tonne was RMB2,788, RMB2,330, RMB3,126, RMB2,841 and RMB3,779, respectively. We typically purchase our raw materials from multiple primary steel producers. The steel industry as a whole is cyclical and, at times, pricing and availability of steel can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labour costs, sales levels, competition, consolidation of steel producers, raw material costs for steel producers, import duties and tariffs and currency exchange rates.

We make prepayments to our major suppliers to secure favourable treatment in terms of pricing and supply of raw materials. We take into account the cost of raw materials in setting our selling price in order to pass on changes in such costs to customers. However, any significant and sudden increase in raw materials costs could increase our cost of sales and have an adverse effect on our gross profit and margins. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — Any significant increase in the price of high carbon steel wire rods may materially increase our production costs and reduce our profitability".

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of high carbon steel wire rods (assuming all other factors affecting the results of operations of the Group remain unchanged), on our profit before tax for each period over the Track Record Period.

	Percentage change in high carbon steel wire rods					
	−10%	−5%	−1%	+1%	+5%	+10%
	(RMB'000, except percentages)					
Year ended 31 December 2015						
Increase/(decrease) in high carbon steel wire rods	(49,723)	(24,861)	(4,972)	4,972	24,861	49,723
Increase/(decrease) in profit before tax for the year	49,723	24,861	4,972	(4,972)	(24,861)	(49,723)
Percentage change in profit before tax for the year	66.8%	33.4%	6.7%	−6.7%	−33.4%	−66.8%
Year ended 31 December 2016						
Increase/(decrease) in high carbon steel wire rods	(63,101)	(31,550)	(6,310)	6,310	31,550	63,101
Increase/(decrease) in profit before tax for the year	63,101	31,550	6,310	(6,310)	(31,550)	(63,101)
Percentage change in profit before tax for the year	75.2%	37.6%	7.5%	−7.5%	−37.6%	−75.2%
Year ended 31 December 2017						
Increase/(decrease) in high carbon steel wire rods	(72,788)	(36,394)	(7,279)	7,279	36,394	72,788
Increase/(decrease) in profit before tax for the year	72,788	36,394	7,279	(7,279)	(36,394)	(72,788)
Percentage change in profit before tax for the year	83.9%	41.9%	8.4%	−8.4%	−41.9%	−83.9%
Six months ended 30 June 2018						
Increase/(decrease) in high carbon steel wire rods	(34,292)	(17,146)	(3,429)	3,429	17,146	34,292
Increase/(decrease) in profit before tax for the period	34,292	17,146	3,429	(3,429)	(17,146)	(34,292)
Percentage change in profit before tax for the period	56.5%	28.3%	5.7%	−5.7%	−28.3%	−56.5%

Economic conditions in China

We operate our manufacturing facilities in China and derive the substantial majority of our revenues from sales to customers in China. As such, economic conditions in China affect virtually all aspects of our operations, including the demand for our products, the availability and prices of our raw materials and our other expenses. Although the economy in China has grown significantly in the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing down in recent years. Any slow-down of economic growth in China could reduce expenditures for infrastructure, which in turn may adversely affect the demand for our products and our operating results and financial condition. In particular, China's economic growth may slow due to weakened exports and global trade frictions. In April 2018, the United States imposed tariffs on steel and aluminium imports from China. In July 2018, the United States imposed 25% tariffs on US$34 billion worth of Chinese goods, and the PRC responded with similar size tariffs on products imported from the United States. In September 2018, the United States imposed a further 10% tariffs on approximately US$200 billion worth of products from China, and in turn, the PRC responded with tariffs on approximately US$60 billion of goods from the United States. In addition, any financial turmoil affecting the financial markets and banking system may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all.

Level of income tax and preferential tax treatment

Our net income is affected by the income tax that we pay and any preferential tax treatment that we are able to receive. Our operating subsidiaries are subject to the PRC enterprise income tax, or EIT. Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of our PRC subsidiaries is calculated based on the statutory tax rate of 25%, but during the Track Record Period, preferential tax treatment was available to the following four of our PRC subsidiaries. Ossen Innovation Materials, Ossen (Jiujiang), Shanghai Pujiang and Zhejiang Pujiang are recognised as High and New-Tech enterprises according to the PRC tax regulations and thus were entitled to a preferential tax rate of 15% for the Track Record Period, and their respective preferential tax rate will expire in July 2020, August 2021, November 2020 and November 2019, respectively. Our results of operations will be affected by our ability to continue to renew this qualification and the preferential tax rate in time or at all.

For more information on income tax and preferential tax treatment, please refer to the section headed "Financial Information — Description of Selected Combined Statement of Profit or Loss Line Items — Income tax expense".

Seasonality

Our revenue from the Prestressed Materials Business is subject to seasonality and is generally lower during the first quarter each year primarily due to the Chinese New Year holidays around February and the cold weather in the Northern region of China during winter season as construction work generally slows down during that period. Accordingly, our results of operations during the six months ended 30 June 2018 may not necessarily reflect our growth for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates significant to the preparation of our combined financial information in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The Accountant's Report in Appendix I to this **[REDACTED]** sets forth these significant accounting policies, judgments and estimates in Notes 4 and 5, which are important for an understanding of our financial condition and results of operations. In particular, Note 5 to the Accountants' Report provides a discussion of the critical accounting judgements and key sources of estimation uncertainty. Our estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

For a discussion on new/revised HKFRSs that have been issued but are not yet effective, including their potential impact on our financial statements, please refer to Note 3 to the Accountants' Report in Appendix I to this **[REDACTED]**.

RESULTS OF OPERATIONS

The following table summarises the combined profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this **[REDACTED]**:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue	1,018,602	100.0	1,081,887	100.0	1,317,693	100.0	490,243	100.0	617,257	100.0
Cost of sales	(824,969)	(81.0)	(867,432)	(80.2)	(1,071,786)	(81.3)	(410,735)	(83.8)	(493,973)	(80.0)
Gross profit	193,633	19.0	214,455	19.8	245,907	18.7	79,508	16.2	123,284	20.0
Other revenue	13,794	1.4	8,430	0.8	11,406	0.9	2,676	0.5	7,346	1.2
Other gains and losses	3,525	0.3	(3,392)	(0.3)	(1,902)	(0.1)	(185)	0.0	(2,131)	(0.3)
Distribution and selling expenses	(20,025)	(2.0)	(16,153)	(1.5)	(21,316)	(1.6)	(8,764)	(1.8)	(8,104)	(1.3)
Administrative expenses	(30,075)	(3.0)	(28,948)	(2.7)	(38,533)	(2.9)	(23,059)	(4.7)	(15,292)	(2.5)
Research and development expenses	(43,258)	(4.2)	(49,128)	(4.5)	(60,244)	(4.6)	(10,433)	(2.1)	(19,417)	(3.1)
Finance costs	(43,589)	(4.3)	(40,430)	(3.7)	(34,469)	(2.6)	(18,485)	(3.8)	(25,533)	(4.1)
Profit before tax	74,005	7.3	84,834	7.8	100,849	7.7	21,258	4.3	60,153	9.7
Income tax expense	(9,589)	(0.9)	(9,956)	(0.9)	(12,177)	(0.9)	(2,710)	(0.6)	(8,813)	(1.4)
Profit for the year/period	64,416	6.3	74,878	6.9	88,672	6.7	18,548	3.8	51,340	8.3
Profit attributable to:										
Owners of the Company	47,571	4.7	58,403	5.4	71,514	5.4	13,662	2.8	37,851	6.1
Non-controlling interests	16,845	1.7	16,475	1.5	17,158	1.3	4,886	1.0	13,489	2.2
	64,416	6.3	74,878	6.9	88,672	6.7	18,548	3.8	51,340	8.3

DESCRIPTION OF SELECTED COMBINED STATEMENT OF PROFIT OR LOSS LINE ITEMS

Revenue

Revenue represents the net invoiced value of the goods sold or services rendered by us in connection with (i) design, engineering, manufacture and sale of customised prestressed steel materials; (ii) design, engineering, manufacture, installation and sale of cables and (iii) others, including sales of scrap materials.

We organise our operations into business units based on the products involved and our revenue are primarily attributable to two reportable operating segments: (i) Cable Business, which comprises suspension cables, stay cables, installation services and sales of scrap materials and (ii) Prestressed Materials Business, which comprises plain surface prestressed products, rare earth coated prestressed products, galvanised prestressed products and other steel materials. While we historically generated the majority of revenue from the Prestressed Materials Business, we expect our Cable Business to grow at a faster rate in the next few years. For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, approximately 94.3%, 95.9%, 96.2% and 95.6% of our revenue were from sales in the PRC, whilst the remaining sales were to overseas customers, including customers in Korea, Indonesia and Vietnam.

The following table set out the breakdown of revenue by operating segment and product type in terms of absolute amount and as a percentage of total revenue:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* (unaudited)	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue										
Cable Business:										
Suspension cable projects	147,965	14.5	125,988	11.6	313,798	23.8	119,060	24.3	82,897	13.4
Stay cable projects	128,848	12.6	167,957	15.5	92,387	7.0	10,738	2.2	101,638	16.5
Others-installation	4,252	0.4	9,162	0.8	8,371	0.6	2,921	0.6	4,482	0.7
Others-sale of scrap materials	1,658	0.2	168	0.1	11,247	0.9	–	–	440	0.1
	282,723	27.8	303,275	28.0	425,803	32.3	132,719	27.1	189,457	30.7
Prestressed Materials Business:										
Rare earth coated prestressed products	532,394	52.3	674,242	62.3	760,922	57.8	312,482	87.4	371,510	86.8
Plain surface prestressed products	99,036	9.7	45,461	4.2	46,171	3.5	25,806	7.2	18,656	4.4
Galvanised prestressed products	62,061	6.0	49,170	4.6	72,476	5.5	16,066	4.5	37,153	8.7
Other steel materials	42,388	4.2	9,739	0.9	12,321	0.9	3,170	0.9	481	0.1
	735,879	72.2	778,612	72.0	891,890	67.7	357,524	72.9	427,800	69.3
	1,018,602	100.0	1,081,887	100.0	1,317,693	100.0	490,243	100.0	617,257	100.0

Cable Business

For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, revenue from our Cable Business amounted to RMB282.7 million, RMB303.3 million, RMB425.8 million, and RMB189.5 million, representing 27.8%, 28.0%, 32.3% and 30.7% of our total revenue, respectively. Revenue from our Cable Business is mainly determined based on the number of projects we work on and the value of such projects. The number of projects under our Cable Business for 2015, 2016, 2017, and the first half of 2017 and 2018 were 69, 99, 89, 31 and 62 respectively. Customers of our Cable Business are usually project companies or contractors that build bridges or other large construction projects. Please also refer to the section headed "Business — Sales and Marketing".

Prestressed Materials Business

For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, revenue from our Prestressed Materials Business amounted to RMB735.9 million, RMB778.6 million, RMB891.9 million and RMB427.8 million, representing 72.2%, 72.0%, 67.7% and 69.3% of our total revenue, respectively. Changes to our revenue in our Prestressed Materials Business primarily resulted from fluctuations in the sales volume and the average selling price of our products, which in turn reflects the demand from our customers, which are usually steel material trading companies and steel material manufacturers. Please also refer to the section headed "Business — Sales and Marketing".

Average selling price and volume

The following table sets forth the average selling price and sales volume for our Cable Business and Prestressed Materials Business for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	tonnes	*RMB per tonne*	*tonnes*	*RMB per tonne*	*tonnes*	*RMB per tonne*	*tonnes*	*RMB per tonne*	*tonnes*	*RMB per tonne*
Cable Business[(1)]	23,250	11,906	27,327	10,757	39,442	10,298	11,346	11,440	16,177	11,407
Prestressed Materials Business[(2)]	208,956	3,319	284,279	2,705	237,681	3,701	118,920	2,980	93,536	4,568

Notes:

(1) This excludes installation services and sale of scrap materials.

(2) This excludes sale of other steel materials.

Cable Business

In 2015, 2016, 2017 and the first half of 2017 and 2018, the overall average selling price per tonne of our products under the Cable Business was RMB11,906, RMB10,757, RMB10,298, RMB11,440 and RMB11,407, respectively. We price our products based on the nature for each individual project, taking into account the quantity, type and technical specifications of the cables sold, the overall project value, the complexity and type of bridge or infrastructure project, the location of the project, sufficiency of resources, the nature and relationship of the customer, and the cost of raw materials.

The overall average selling price per tonne decreased by 9.7% from RMB11,906 in 2015 to RMB10,757 in 2016 mainly due to a decrease in average selling price of suspension cable projects because such projects we sold to during the period required lower strength suspension cables with lower value and lower cost of raw materials. The overall average selling price per tonne decreased by 4.3% from RMB10,757 in 2016 to RMB10,298 in 2017 mainly due to a decrease in the average selling price of stay cable projects as a result of changes to the product mix. The overall average selling price per tonne remained stable at RMB11,440 and RMB11,407 in the first half of 2017 and 2018, respectively.

Prestressed Materials Business

In 2015, 2016, 2017 and the first half of 2017 and 2018, the overall average selling price per tonne of our products under the Prestressed Materials Business was RMB3,319, RMB2,705, RMB3,701, RMB2,980 and RMB4,568, respectively. We adopt a cost-plus basis approach when determining the selling price. Apart from costs, our price will also take into account factors such as relationship with the customers, sales volume, sufficiency of our resources and technical requirements for the products to be supplied. Changes in the average selling price under the Prestressed Materials Business during the Track Record Period were mainly driven by changes in the product mix and changes in the cost of raw materials.

The overall average selling price per tonne decreased by 18.5% from RMB3,319 in 2015 to RMB2,705 in 2016 primarily because we sold a higher volume of rare earth coated prestressed products which had a relatively lower selling price, coupled with the lowering of overall average selling prices in response to the decrease in our average cost of high carbon steel wire rods. The overall average selling price per tonne increased by 36.8% from RMB2,705 in 2016 to RMB3,701 in 2017 mainly driven by an increase in average selling prices of our rare earth coated prestressed products to reflect an increase in our average cost of raw materials as well as increased sales of galvanised prestressed products, which had a higher average selling price. The overall average selling price per tonne increased by 53.3% from RMB2,980 in the first half of 2017 to RMB4,568 in the first half of 2018 primarily due to an increase in selling prices of our rare earth coated prestressed products, reflecting an increased demand for our products as the PRC government launched an initiative to shut down production facilities that did not meet national environmental standards, and the further increase in our average cost of raw materials.

Cost of sales

Cost of sales represents costs and expenses directly attributable to the manufacture of our products and comprises mainly of (i) raw materials, (ii) depreciation, (iii) production overhead, which include costs for utilities, consumables, staff welfare and social insurance and (iv) direct labour cost. The following table sets out the breakdown of cost of sales in terms of absolute amount and as a percentage of total cost of sales for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Raw materials	774,713	93.9	824,031	95.0	1,027,233	95.8	389,095	94.7	473,008	95.8
Depreciation	12,410	1.5	9,709	1.1	8,484	0.8	4,525	1.1	3,550	0.7
Production overhead	12,616	1.5	11,492	1.3	10,778	1.0	5,489	1.3	5,183	1.0
Business tax	9,422	1.1	5,979	0.7	6,800	0.6	1,337	0.3	1,962	0.4
Direct labour cost	9,914	1.2	8,726	1.0	10,799	1.0	4,624	1.1	5,424	1.1
Subcontracting fee	3,766	0.5	5,195	0.6	5,436	0.5	2,097	0.5	3,664	0.7
Others[(1)]	2,128	0.3	2,300	0.3	2,256	0.2	3,568	0.9	1,182	0.8
	824,969	100.0	867,432	100.0	1,071,786	100.0	410,735	100.0	493,973	100.0

Note:

(1) Others include indirect material and repair and maintenance fee.

The following table provides the breakdown of cost of sales by business segment for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Cable Business	184,944	22.4	198,072	22.8	278,478	26.0	85,987	20.9	129,700	26.3
Prestressed Materials Business	640,025	77.6	669,360	77.2	793,308	74.0	324,748	79.1	364,273	73.7
	824,969	100.0	867,432	100.0	1,071,786	100.0	410,735	100.0	493,973	100.0

Please refer to the section headed "Financial Information — Period to Period Comparison of Results of Operations" for further analysis.

Gross profit and gross profit margin

For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, our gross profit was RMB193.6 million, RMB214.5 million, RMB245.9 million and RMB123.3 million, respectively, and our gross profit margin was 19.0%, 19.8%, 18.7% and 20.0% for the respective period. Changes to our gross profit margin during the Track Record Period primarily reflected changes in average selling prices, the cost of raw materials as well as the revenue contribution and product mix between our Cable Business and Prestressed Materials Business. Please refer to the section headed "Financial Information — Period to Period Comparison of Results of Operations" for further analysis.

The following table sets forth the respective gross profit and gross profit margin by our business segments for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Cable Business	97,779	34.6	105,203	34.7	147,325	34.6	46,732	35.2	59,757	31.5
Prestressed Materials Business	95,854	13.0	109,252	14.0	98,582	11.1	32,776	9.2	63,527	14.8
Total	193,633	19.0	214,455	19.8	245,907	18.7	79,508	16.2	123,284	20.0

Other revenue

Other revenue mainly includes (i) bank and other interest income and (ii) government grants, which consist mainly of grants received from the PRC local government authority as subsidies to the Group for incentive of technology innovation projects. During the Track Record Period, the components of our other revenue are summarised below:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Bank and other interest income	6,502	47.2	2,977	35.3	6,004	52.6	698	26.1	2,757	37.5
Government grants	7,261	52.6	5,077	60.2	5,249	46.0	1,978	73.9	4,137	56.3
Sundry income	31	0.2	376	4.5	153	1.4	–	–	452	6.2
	13,794	100.0	8,430	100.0	11,406	100.0	2,676	100.0	7,346	100.0

Other gains and losses

Other gains and losses mainly consist of (i) exchange gains/(losses) arising from fluctuations in exchange rates between the invoice and settlement dates of our sales and from translation of our U.S. dollar-denominated trade receivables, (ii) impairment loss reversed/(recognised) on trade and retention receivables and (iii) impairment loss (recognised)/reversed on deposits and other receivables. During the Track Record Period, the components of our other gains and losses are summarised below:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Exchange gains/(loss), net	953	146	(344)	(103)	(56)
(Loss)/gain on disposal of property, plant and equipment	(21)	(8)	–	–	1
Impairment loss reversed/(recognised) on trade and retention receivables	2,982	(4,506)	781	(82)	(1,264)
Impairment loss (recognised)/reversed on deposits and other receivables	(389)	976	(2,339)	–	(812)
	3,525	(3,392)	(1,902)	(185)	(2,131)

Distribution and selling expenses

Distribution and selling expenses mainly include (i) transportation costs for delivery of products, (ii) commission, (iii) salaries and benefits of our sales and marketing staff and (iv) travel expenses relating to our sales and marketing activities. For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, our distribution and selling expenses amounted to RMB20.0 million, RMB16.2 million, RMB21.3 million and RMB8.1 million, representing 2.0%, 1.5%, 1.6% and 1.3% of our revenue for the respective period. The following table sets out the breakdown of selling and distribution expenses for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Transportation costs	13,613	68.0	9,869	61.1	14,444	67.8	6,009	68.6	5,188	64.0
Commission	2,413	12.0	2,195	13.6	952	4.5	386	4.4	275	3.4
Staff salaries and benefits	2,647	13.2	2,627	16.3	2,719	12.8	1,466	16.7	1,551	19.1
Travel expenses	279	1.4	611	3.8	786	3.7	287	3.3	484	6.0
Depreciation	39	0.2	39	0.2	41	0.2	91	1.0	27	0.3
Others(1)	1,034	5.2	812	5.0	2,373	11.1	524	6.0	578	7.1
	20,025	100.0	16,153	100.0	21,316	100.0	8,764	100.0	8,104	100.0

(1) Others mainly include administration expenses for tender bidding, entertainment expenses and advertising costs.

Administrative expenses

The following table sets out the breakdown of administrative expenses for the periods indicated. For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, our administrative expenses amounted to RMB30.1 million, RMB28.9 million, RMB38.5 million and RMB15.3 million, representing 3.0%, 2.7%, 2.9% and 2.5% of our revenue for the respective period:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Staff costs	9,151	30.4	9,792	33.8	11,071	28.7	5,480	23.8	5,781	37.8
Travelling and entertainment	1,829	6.1	2,291	7.9	3,548	9.2	1,692	7.3	1,837	12.0
Depreciation	1,251	4.2	1,241	4.3	1,246	3.2	543	2.4	638	4.1
Amortisation of prepaid land lease payment	762	2.5	763	2.6	762	2.0	381	1.7	381	2.5
Audit fee	1,857	6.2	1,464	5.1	1,643	4.2	655	2.9	991	6.5
Legal and professional fee	655	2.2	908	3.1	1,126	2.9	514	2.2	94	0.6
Listing expenses (A-share Listing)	1,950	6.5	250	0.9	–	–	–	–	–	–
[REDACTED] (Stock Exchange)	–	–	–	–	8,614	22.4	8,863	38.4	2,079	13.6
Other taxes	3,325	11.0	2,810	9.7	2,808	7.3	447	1.9	440	2.9
Bank charges	4,688	15.6	4,705	16.3	3,102	8.1	1,712	7.4	1,542	10.1
Others[(1)]	4,607	15.3	4,724	16.3	4,613	12.0	2,772	12.0	1,509	9.9
	30,075	100.0	28,948	100.0	38,533	100.0	23,059	100.0	15,292	100.0

(1) Others mainly include rental expenses, insurance, office utilities and other administrative expenses.

Research and development expenses

Research and development expenses mainly include (i) salaries and benefits of our research and development staff, (ii) depreciation of equipment for research and development, (iii) materials consumed for conducting research and development activities, and (iv) testing fee incurred in engaging external testing laboratories. For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, our research and development expenses amounted to RMB43.3 million, RMB49.1 million, RMB60.2 million and RMB19.4 million, representing 4.2%, 4.5%, 4.6% and 3.1% of our revenue for the respective period. The following table sets out the breakdown of our research and development expenses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Staff costs	2,607	6.0	2,638	5.4	3,271	5.4	1,363	13.0	1,725	8.9
Depreciation	1,584	3.7	1,396	2.8	1,431	2.4	637	6.1	288	1.5
Materials	35,849	82.9	41,016	83.5	51,288	85.1	7,020	67.3	16,046	82.7
Testing	1,600	3.7	2,735	5.6	2,394	4.0	434	4.2	766	3.9
Others	1,618	3.7	1,343	2.7	1,860	3.1	979	9.4	592	3.0
	43,258	100.0	49,128	100.0	60,244	100.0	10,433	100.0	19,417	100.0

Finance costs

Finance costs mainly consist of interest on bank borrowings, interest expenses from our bond issued and handling charge for the bond issued. For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, our finance costs amounted to RMB43.6 million, RMB40.4 million, RMB34.5 million and RMB25.5 million.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expense on bank borrowings	29,359	31,413	34,469	18,485	25,533
Interest expense on bond	11,730	7,351	–	–	–
Handling charge for bonds	2,500	1,666	–	–	–
	43,589	40,430	34,469	18,485	25,533

Income tax expense

Income tax expense consists of current and deferred taxes payable in the PRC by our Company and our subsidiaries. For the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, our income tax expense amounted to RMB9.6 million, RMB10.0 million, RMB12.2 million and RMB8.8 million, and our effective income tax rate was 13.0%, 11.7%, 12.1% and 14.7%, respectively. For further details, please refer to Note 14 to the Accountants' Report in Appendix I to this **[REDACTED]**.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of our subsidiaries is calculated based on the statutory tax rate of 25%, but during the Track Record Period preferential tax treatment was available to the following four of our PRC subsidiaries.

Ossen Innovation Materials, Ossen (Jiujiang), Shanghai Pujiang and Zhejiang Pujiang are recognised as High and New-Tech enterprises according to the PRC tax regulations and are entitled to a preferential tax rate of 15% during the Track Record Period and their respective preferential tax rate will expire in July 2020, August 2021, November 2020 and November 2019.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company, which is incorporated in the Cayman Islands and the Company's subsidiary incorporated in British Virgin Islands are not subject to any income tax. We were not subject to any profits tax in Hong Kong as we did not generate any profit in Hong Kong.

During the Track Record Period and as of the Latest Practicable Date, we did not have any material tax dispute or unresolved issues with the relevant authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended 30 June 2018 Compared to Six Months Ended 30 June 2017

Revenue

Revenue increased by 25.9% from RMB490.2 million for the six months ended 30 June 2017 to RMB617.3 million for the six months ended 30 June 2018. This increase was attributable to a 42.8% increase in our revenue from our Cable Business coupled with a 19.7% increase in our revenues from our Prestressed Materials Business.

Cable Business

Revenue from our Cable Business increased by 42.8% from RMB132.7 million for the six months ended 30 June 2017 to RMB189.5 million for the six months ended 30 June 2018. Average selling prices remained stable while the number of projects increased from 31 in the first half of 2017 to 62 in the first half of 2018.

Revenue from stay cable projects increased from RMB10.7 million in the first half of 2017 to RMB101.6 million over the same period in 2018. Revenue generated from stay cable projects increased mainly due to an increase in the sales volume by 3.1 times from 1,904 tonnes in the first half of 2017 to 7,802 tonnes in the first half of 2018 due to sales from two high contract value stay cable bridge projects namely, Boyang Lake No. 2 Bridge and Taizhou Bay Bridge during the half of 2018.

Revenue from suspension cable projects decreased by 30.4% from RMB119.1 million in the first half of 2017 to RMB82.9 million in the first half of 2018 primarily due to the completion of the Humen No. 2 Bridge project which has a high contract value and contributed a significant portion of the revenue generated in 2017.

Prestressed Materials Business

Revenue from our Prestressed Materials Business increased by 19.7% from RMB357.5 million for the six months ended 30 June 2017 to RMB427.8 million for the six months ended 30 June 2018. This increase was mainly attributable to a 18.9% increase in sales of our rare earth coated prestressed products coupled with a 131.3% increase in sales of our galvanised prestressed products. The average selling price of prestressed products increased by 53.3% from RMB2,980 per tonne in the first half of 2017 to RMB4,568 per tonne in the first half of 2018, primarily due to an increase in selling prices of our rare earth coated prestressed products, reflecting an increased demand for our products as the PRC government shut down production facilities that did not meet the national environmental standards, and an increase in the average cost of raw materials.

Cost of sales

Cost of sales increased by 20.3% from RMB410.7 million for the six months ended 30 June 2017 to RMB494.0 million for the six months ended 30 June 2018. The increase in costs of sales was attributable to the increase in sales for both our Cable Business and Prestressed Materials Business.

The cost of sales for our Cable Business increased by 50.8% from RMB86.0 million in the first half of 2017 to RMB129.7 million in the first half of 2018 mainly due to increased sales in our Cable Business as the sales volume of cables increase by 42.6% from 11,346 tonnes in the first half of 2017 to 16,177 tonnes in the first half of 2018.

Our cost of sales for Prestressed Materials Business increased by 12.2% from RMB324.7 million in the first half of 2017 to RMB364.3 million in the first half of 2018 mainly due to the increase in the cost of high carbon steel wire rods by 33.0%, partially offset by the 21.4% decrease in sales volume in our Prestressed Materials Business.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 55.1% from RMB79.5 million for the six months ended 30 June 2017 to RMB123.3 million for the six months ended 30 June 2018.

Overall gross profit margin increased from 16.2% for the six months ended 30 June 2017 to 20.0% for the six months ended 30 June 2018, which was primarily due to a higher revenue contribution from the Cable Business, which has a higher gross profit margin of 31.5% for the first half of 2018, as compared to our sales from our Prestressed Materials Business, which had a gross profit margin of 14.8% for the first half of 2018.

The gross profit margin for our Cable Business decreased from 35.2% for the six months ended 30 June 2017 to 31.5% for the six months ended 30 June 2018 primarily due to the changes in product mix as a result of an increase of cable projects with lower contract value, while our average selling price remained generally stable.

The gross profit margin for our Prestressed Materials Business increased from 9.2% for the six months ended 30 June 2017 to 14.8% for the six months ended 30 June 2018 mainly because of an increase in the average selling price of our prestressed materials products as discussed above.

Other revenue

Other revenue increased by 174.5% from RMB2.7 million for the six months ended 30 June 2017 to RMB7.4 million for the six months ended 30 June 2018. This increase was primarily attributable to (i) an increase of RMB2.2 million in government grants which includes incentives for technology development, and (ii) an increase of RMB2.1 million in bank and other interest income from the additional interest collected from the return of performance bonds upon the delivery of our products for bridge cable construction projects and restricted bank deposits.

Other gains and losses

We recorded other losses of RMB2.1 million for the six months ended 30 June 2018 as compared to other loss of RMB0.2 million for the six months ended 30 June 2017. This was primarily attributable to the increase in the impairment loss recognised on trade and retention receivables due to increased amount of gross trade and retention receivables.

Distribution and selling expenses

Distribution and selling expenses decreased by 8.0% from RMB8.8 million for the six months ended 30 June 2017 to RMB8.1 million for the six months ended 30 June 2018. This decrease was mainly attributable to the decrease of RMB0.8 million in transportation costs primarily due to shorter delivery distances for projects under our Cable Business.

Administrative expenses

Administrative expenses decreased by 33.8% from RMB23.1 million for the six months ended 30 June 2017 to RMB15.3 million for the six months ended 30 June 2018. This decrease was mainly attributable to a (i) decrease of RMB6.8 million in **[REDACTED]** expenses incurred for the preparation of **[REDACTED]** and (ii) a decrease of RMB1.0 million in insurance expenses.

Research and development expenses

Research and development expenses increased by 86.5% from RMB10.4 million for the six months ended 30 June 2017 to RMB19.4 million for the six months ended 30 June 2018. This increase was mainly attributable to an increase purchasing of materials for testing purposes of RMB9.0 million as the Group initiated several new development projects during this period.

Finance costs

Finance costs increased by 37.8% from RMB18.5 million for the six months ended 30 June 2017 to RMB25.5 million for the six months ended 30 June 2018. This increase was attributable to an increase in the average balance of short term bank loans.

Income tax expense

Income tax expense increased by 225.9% from RMB2.7 million for the six months ended 30 June 2017 to RMB8.8 million for the six months ended 30 June 2018. This increase was primarily attributable to an increase in current tax charge primarily as a result of the increase in profit before tax. Our effective tax rate increased from 12.7% for the six months ended 30 June 2017 to 14.7% for the six months ended 30 June 2018 mainly due to a change in provision estimates for one of our PRC subsidiaries.

Profit for the period

As a result of the foregoing, profit for the period increased by 177.3% from RMB18.5 million for the six months ended 30 June 2017 to RMB51.3 million for the six months ended 30 June 2018. Net profit margin increased from 3.8% for the six months ended 30 June 2017 to 8.3% for the six months ended 30 June 2018, primarily due to an increase in gross profit margin and higher revenue.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

Revenue

Revenue increased by 21.8% from RMB1,081.9 million in 2016 to RMB1,317.7 million in 2017. This increase was attributable to a 40.4% increase in our revenue from our Cable Business and a 14.5% increase in our revenue from our Prestressed Materials Business.

Cable Business

Revenue from our Cable Business increased by 40.4% from RMB303.3 million in 2016 to RMB425.8 million in 2017. The average selling price under our Cable Business decreased slightly by 4.3% from RMB10,757 per tonne in 2016 to RMB10,298 per tonne in 2017, while the sales volume increased by 44.3% from 27,327 tonnes to 39,442 tonnes.

Revenue from suspension cable projects increased by 149.1% from RMB126.0 million in 2016 to RMB313.8 million in 2017 primarily due to an increase in sales volume from two super-long-span suspension bridges projects, namely Humen No. 2 Bridge (Nizhou section) and Humen No. 2 Bridge (Dasha section) in 2017 which have relatively higher contract value. The overall increase in revenue was partially offset by a decrease in sales from stay cable projects from RMB168.0 million in 2016 to RMB92.4 million in 2017 due to a decrease in sales volume as the number of stay cable projects decreased from 60 to 41.

Prestressed Materials Business

Revenue from prestressed materials products increased by 14.5% from RMB778.6 million in 2016 to RMB891.9 million in 2017. This increase was mainly attributable to an increase in sales of rare earth coated prestressed products by 12.9% from RMB674.2 million in 2016 to RMB760.9 million in 2017 and the increase in sales of galvanised prestressed products by 47.4% from RMB49.2 million in 2016 to RMB72.5 million in 2017. The average selling price of our prestressed products increased by 36.8% from RMB2,705 per tonne in 2016 to RMB3,701 per tonne in 2017 mainly driven by an increase in average selling price of our rare earth coated prestressed products to reflect an increase in our average cost of raw materials, as well as increased sales of galvanised prestressed products, which had an higher average selling price.

Cost of sales

Cost of sales increased by 23.6% from RMB867.4 million in 2016 to RMB1,071.8 million in 2017. This increase in cost of sales was attributable to increased sales for both our Cable Business and Prestressed Materials Business.

Our cost of sales for the Cable Business increased by 40.6% from RMB198.1 million to RMB278.5 million, which was in line with our 40.4% increase in sales. Our cost of sales for the Prestressed Materials Business increased by 18.5% from RMB669.4 million in 2016 to RMB793.3 million in 2017 mainly due to an increase in our average cost of high carbon steel wire rods by 34.2% mainly due to general increase in steel prices, partially offset by a decrease of 16.4% in the total sales volume of prestressed materials.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 14.6% from RMB214.5 million in 2016 to RMB245.9 million in 2017.

Overall gross profit margin decreased from 19.8% in 2016 to 18.7% in 2017. This decrease was mainly attributed by the decrease in gross profit margin of our Prestressed Materials Business. The gross profit margin for our Prestressed Materials Business decreased from 14.0% for 2016 to 11.1% for 2017 mainly because the increase in our average cost of high carbon steel wire rods.

The gross profit margin for our Cable Business remained stable and was 34.7% in 2016 and 34.6% in 2017.

Other revenue

Other revenue increased by 35.7% from RMB8.4 million in 2016 to RMB11.4 million in 2017. This increase was primarily attributable to an increase of RMB3.0 million in bank and other interest income primarily due to the additional interest collected from the return of performance bonds upon delivery of bridge cables to our customers.

Other gains and losses

We recorded other loss of RMB1.9 million in 2017 as compared to other loss of RMB3.4 million in 2016. This was primarily attributable to an increase in impairment loss recognised on deposits and other receivables due to the significant increase in deposits from RMB54.7 million as at 31 December 2016 to RMB258.0 million as at 31 December 2017, partially offset by an impairment loss reversed on trade and retention receivables in 2017 due to the recovery of certain bad debts written off in prior years.

Distribution and selling expenses

Distribution and selling expenses increased by 32.0% from RMB16.2 million in 2016 to RMB21.3 million in 2017. This increase was mainly attributable to an increase of RMB4.6 million in transportation costs primarily due to the delivery of a high volume of cables for projects in Humen, the PRC. This was partially offset by a decrease in overseas sales commission of RMB1.2 million as there was a decrease in overseas sales.

Administrative expenses

Administrative expenses increased by 33.2% from RMB28.9 million in 2016 to RMB38.5 million in 2017. This increase was mainly attributable to (i) an increase of RMB8.6 million in **[REDACTED]** expenses for our preparation of the **[REDACTED]** and (ii) an increase in staff costs of RMB1.3 million due to an increase in the number of employees.

Research and development expenses

Research and development expenses increased by 22.6% from RMB49.1 million in 2016 to RMB60.2 million in 2017. This increase was mainly attributable to an increase in the cost of materials for testing by RMB10.3 million in order to improve our know-how and technical capabilities to support our Cable Business projects, as well as an increase in staff costs by RMB0.6 million due to an increase in number of research and development staff.

Finance costs

Finance costs decreased by 14.6% from RMB40.4 million in 2016 to RMB34.5 million in 2017. This decrease was attributable to a decrease in outstanding interest expense on the bond as the bond matured and was repaid in September 2016.

Income tax expense

Income tax expense increased by 22.0% from RMB10.0 million in 2016 to RMB12.2 million in 2017. This increase was mainly attributable to an increase in current tax charge as we recorded a higher profit before tax in 2017. Our effective tax rate increased slightly from 11.7% in 2016 to 12.1%.

Profit for the year

As a result of the foregoing, profit for the year increased by 18.4% from RMB74.9 million in 2016 to RMB88.7 million in 2017. Net profit margin decreased from 6.9% in 2016 to 6.7% in 2017 mainly due to the decrease in gross profit margin in 2017.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Revenue increased by 6.2% from RMB1,018.6 million in 2015 to RMB1,081.9 million in 2016. This increase was attributable to an increase of 7.3% in our revenue from our Cable Business and an increase of 5.8% in our revenue from our Prestressed Materials Business.

Cable Business

Revenue from our Cable Business increased by 7.3% from RMB282.7 million in 2015 to RMB303.3 million in 2016. The average selling price under our Cable Business decreased by 9.7% from RMB11,906 per tonne in 2015 to RMB10,757 per tonne in 2016 mainly due to decrease in average selling price to suspension cable projects as a number of new projects had a lower contract value. The total number of projects increased from 69 in 2015 to 99 in 2016.

Revenue from stay cable projects increased by 30.3% from RMB128.9 million in 2015 to RMB168.0 million in 2016 as a result of an increase in sales volume as the number of cable-stayed bridges projects increased from 34 in 2015 to 60 in 2016. The overall increase in revenue was partially offset by the decrease of 14.9% in revenue from suspension cable projects from RMB148.0 million in 2015 to RMB126.0 million in 2016 , as a high contract value project (Yunnan Longjiang Extra-large Bridge (雲南龍江特大橋)) was completed in 2015.

Prestressed Materials Business

Revenue from our Prestressed Materials Business increased by 5.8% from RMB735.9 million in 2015 to RMB778.6 million in 2016. This increase was mainly attributable to an increase of 26.6% in sales of rare earth coated prestressed products due to increased sales orders for this product. The average selling price of our prestressed products decreased by 18.5% from RMB3,319 per tonne in 2015 to RMB2,705 per tonne in 2016, primarily because we sold a higher volume of rare earth coated prestressed products which has a relatively lower selling price coupled with the lowering of overall average selling prices in response to decrease in our average cost for high carbon steel wire rods in 2016.

Cost of sales

Cost of sales increased by 5.1% from RMB825.0 million in 2015 to RMB867.4 million in 2016. The increase in cost of sales was attributable to the increase in sales from both our Cable Business and Prestressed Materials Business.

Our cost of sales for the Cable Business increased by 7.1% from RMB184.9 million to RMB198.1 million, which was in line with our 7.3% increase in sales in our Cable Business. Our cost of sales for Prestressed Materials Business increased by 4.6% from RMB640.0 million to RMB669.4 million, which was lower than our 5.8% increase in sales in our Prestressed Materials Business mainly due to a 16.5% decrease in our average cost of high carbon steel wire rods.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 10.8% from RMB193.6 million in 2015 to RMB214.5 million in 2016. Gross profit margin remained relatively stable at 19.0% and 19.8% in 2015 and 2016, respectively.

The gross profit for our Cable Business increased by 7.6% from RMB97.8 million in 2015 to RMB105.2 million in 2016. The gross profit margin for our cables products remained stable, and was 34.6% in 2015 to 34.7% in 2016.

The gross profit for our Prestressed Materials Business increased by 14.0% from RMB95.9 million in 2015 to RMB109.3 million in 2016 and the gross profit margin increased from 13.0% in 2015 to 14.0% in 2016 mainly due to the decrease in the average cost of high carbon steel wire rods.

Other revenue

Other revenue decreased by 39.1% from RMB13.8 million in 2015 to RMB8.4 million in 2016. This decrease was primarily attributable to (i) a decrease of RMB3.5 million in bank and other interest income, which was primarily due to a lower restricted bank deposits, and (ii) a decrease of RMB2.2 million in government grants.

Other gains and losses

We recorded other losses of RMB3.4 million in 2016 as compared to other gains of RMB3.5 million in 2015. This change was primarily attributable to the RMB4.5 million in impairment losses recognised on trade and retention receivables in 2016 mainly based on management estimates after reviewing the amount and ageing analysis of our gross trade receivables. In 2015, our other gains was mainly attributable to the collection of certain bad debts from previous years and as a result we reversed RMB3.0 million for the provision for bad debts.

Distribution and selling expenses

Distribution and selling expenses decreased by 19.0% from RMB20.0 million in 2015 to RMB16.2 million in 2016. This decrease was mainly attributable to the decrease of RMB3.7 million in transportation costs primarily due to shorter delivery distances for projects under our Cable Business.

Administrative expenses

Administrative expenses decreased by 4.1% from RMB30.1 million in 2015 to RMB28.9 million in 2016. This decrease was mainly attributable to (i) a decrease of RMB1.7 million in listing expenses with respect to our application for listing on the Shanghai Stock Exchange in 2015 which was subsequently withdrawn in 2016, and partially offset by (ii) an increase of RMB0.6 million in staff costs due to an increase in the average staff salaries and increase in the number of employees.

Research and development expenses

Research and development expenses increased by 13.4% from RMB43.3 million in 2015 to RMB49.1 million in 2016. This increase was mainly attributable to an increase of RMB5.2 million for materials for testing purposes to increase our technical capabilities and the development of new products.

Finance costs

Finance costs decreased by 7.3% from RMB43.6 million in 2015 to RMB40.4 million in 2016. This decrease was attributable to (i) a decrease in interest payable pursuant to the bond issued by the Company due to its maturity in September 2016, and (ii) partially offset by an increase in interest expense on bank borrowings of RMB2.1 million due to an increase in bank borrowings.

Income tax expense

Income tax expense increased by 4.2% from RMB9.6 million in 2015 to RMB10.0 million in 2016. This increase was primarily attributable to an increase in current tax charge primarily as a result of the higher profit before tax in 2016. Our effective tax rate decreased from 13.0% in 2015 to 11.7% in 2016 mainly due to the utilisation of unrecognised tax losses carried over from previous years from one of our PRC subsidiaries.

Profit for the year

As a result of the foregoing, profit for the year increased by 16.3% from RMB64.4 million in 2015 to RMB74.9 million in 2016. Net profit margin increased from 6.3% in 2015 to 6.9% in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirements are to pay for working capital needs. We have historically met these cash requirements by relying on a combination of banking credit facilities and net cash flows from operating activities as our principal sources of funding. Following the completion of the **[REDACTED]**, we intend to continue to fund our cash requirements through a combination of banking credit facilities, net cash flows from operating activities and **[REDACTED]** from the **[REDACTED]**.

Working capital

We had net current assets of RMB684.7 million, RMB846.1 million, RMB986.2 million, RMB1,064.0 million and RMB1,112.2 million as at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, respectively. However, we recorded net cash used in operating activities of RMB171.1 million in 2017 and RMB55.4 million in the first half of 2018.

Our operations are working capital intensive due to the nature of our industry. We utilise a significant amount of working capital to procure raw materials for our products and to provide deposit guarantees (in terms of tender and performance bonds) for our Cable Business. However, our Cable Business customers provide us with a deposit of up to 20% of the contract value for some of our projects, which we record as contract liabilities on our balance sheet. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — Our operations are working capital intensive, any insufficient levels of liquidity may adversely affect our cash flow and working capital and results of operations".

We finance our working capital primarily through our banking credit facilities (including bank acceptance bills). As at 31 October 2018, we had total banking credit facilities of RMB1,799.0 million, of which RMB721.1 million were available for drawdown. We have historically maintained good relations with our principal banks and had not experienced any difficulties in utilising our banking credit facilities. During the Track Record Period, we had not experienced any difficulties in renewing or rolling-over our bank loans.

We also expect to receive **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** million (or RMB**[REDACTED]** million), of which around **[REDACTED]** or HK$**[REDACTED]** million (or RMB**[REDACTED]** million) will be used for the repayment of bank borrowings; following our **[REDACTED]**, we expect our borrowing capacity to increase by at least the same amount. In addition, around **[REDACTED]** or HK$**[REDACTED]** million (or RMB**[REDACTED]** million) of the **[REDACTED]** from the **[REDACTED]** will be used for our working capital and general corporate purposes. Please refer to the section headed "Future Plans and **[REDACTED]** for further details.

Our finance team maintains liquidity and working capital management measures to manage our working capital position. Designated members prepare monthly cash flow forecasts, which are reviewed and approved by our senior management and/or Directors, to help ensure that we have sufficient cash to meet our working capital requirements for our business operations and to repay bank borrowings as they come due. Based on these cash flow forecasts, we have been able to reliably and successfully monitor our cash inflows and outflows. Our finance team also regularly monitors the ageing of our trade receivables and liaise with our sales team to track and monitor the status of our outstanding trade receivables, and to make appropriate provisions as necessary. During the Track Record Period, we have not experienced any major difficulties with maintaining sufficient working capital despite the growth in our business. However, to the extent we expect to have working capital issues, we may reduce the number and/or value of projects we bid for under our Cable Business or take on fewer orders from our customers under our Prestressed Materials Business in order to ensure that we have sufficient amount of working capital for our business operations.

Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this **[REDACTED]**, taking into account our cash flows from operating activities, the estimated **[REDACTED]** from the **[REDACTED]** and our available banking credit facilities.

CASH FLOWS

The following table sets out our selected combined cash flow data for the years indicated.

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash flows generated from/(used in) operating activities	47,486	56,613	(171,064)	117,635	(55,425)
Net cash flows generated from/(used in) investing activities	31,160	42,457	12,917	(6,373)	(47,560)
New cash flows generated from/(used in) financing activities	(44,942)	(55,049)	66,851	(7,498)	116,751
Net increase/(decrease) in cash and cash equivalents	33,704	44,021	(91,296)	103,764	13,766
Cash and cash equivalents at the end of the year/period	60,828	104,881	13,571	208,640	27,343

Cash flows from operating activities

Net cash flows generated from or used in operating activities consist of profit before income tax adjusted for (i) certain non-cash or non-operating activities related items, including mainly depreciation, finance costs and bank interest income; (ii) the effect of changes in working capital; and (iii) income tax payment.

Cash used in operating activities for the six months ended 30 June 2018 (excluding income taxes paid of RMB9.3 million) was RMB46.1 million, while profit before income tax was RMB60.2 million. After adjusting for non-cash items, our operating profits before working capital changes was RM89.9 million for the first half of 2018, and accordingly, net working capital usage was RMB136.0 million for the period. Changes in working capital consisted mainly of (i) an increase of RMB226.7 million in trade, retention and bills receivables primarily because we completed several large projects during the first half of 2018, the receivables of which remained outstanding as of 30 June 2018, (ii) a RMB21.4 million increase in prepayments, deposits and other receivables due to an increase in prepayments to our suppliers in order to secure favourable treatment in terms of pricing and supply of our raw materials and (iii) an increase in trade and bills payables of RMB119.6 million as a result of (a) an increase in trade payables for purchases of raw materials and (b) an increase in bills payables as we increase our use of bills payables for working capital purposes in our Cable Business.

Cash used in operating activities in 2017 (excluding income taxes paid of RMB11.7 million) was RMB159.3 million, while profit before income tax was RMB100.8 million. After adjusting for non-cash items, our operating profits before working capital changes was RMB142.4 million in 2017, and accordingly, net working capital usage was RMB301.7 million for the period. Changes in working capital consisted mainly of (i) an increase of RMB423.2 million in prepayments, deposits and other receivables as a result of an increase in prepayment to our suppliers to secure the supply and price of raw materials and increase in tender deposits for projects under our Cable Business, (ii) a decrease in trade and bills payable of RMB50.3 million mainly attributable to decrease in use of bills payables for working capital, (iii) a decrease in inventories of RMB89.0 million as we drew down our raw materials inventories because we made prepayments to suppliers to secure the supply and price of raw materials and (iv) a decrease in trade, retention and bills receivable of RMB34.1 million.

Cash generated in operating activities in 2016 (excluding income taxes paid of RMB7.5 million) was RMB64.1 million, while profit before income tax was RMB84.8 million. After adjusting for non-cash items, our operating profits before working capital changes was RMB139.8 million in 2016, and accordingly, net working capital usage was RMB75.7 million for the period. Changes in working capital consisted mainly of (i) a decrease in trade and bills payables of RMB86.5 million primarily due to a decreased use of bills payable as we financed our working capital through bank borrowings, (ii) an increase in trade, retention and bills receivables of RMB58.8 million primarily because of increased sales of both our Prestressed Materials Business and Cable Business, and (iii) a decrease in prepayments, deposits and other receivables of RMB57.2 million reflecting deliveries of raw materials to us with respect to the Humen No. 2 Bridge project (Dasha Section) for our Cable Business.

Cash generated in operating activities in 2015 (excluding income taxes paid of RMB11.5 million) was RMB59.0 million, while profit before income tax was RMB74.0 million. After adjusting for non-cash items, our operating profits before working capital changes was RMB124.6 million in 2015, and accordingly, net working capital usage was RMB65.6 million for the period. Changes in working capital consisted mainly of (i) a decrease in trade and bills payables of RMB50.5 million as a result of a decrease in use of bills payables for working capital purposes, (ii) an increase in inventories of RMB40.6 million, attributable to the increase in purchases of raw materials as a result of increase in sales orders for our Prestressed Materials Business, (iii) an increase in prepayments, deposits and other receivables of RMB26.0 million due to the increase in prepayment for purchasing raw materials for a major bridge cable project, Humen No. 2 Bridge (Dasha Section) and (iv) a decrease in trade, retention and bills receivables of RMB49.6 million mainly as a result of a major receivables settlement by one of our major customers.

Cash flows from investing activities

Net cash used in investing activities for the six months ended 30 June 2018 was RMB47.6 million. This consisted mainly of a RMB48.9 million increase in restricted bank deposits due to an increase in bank deposit requirements as a result of an increase in bills payables.

Net cash generated from investing activities for 2017 was RMB12.9 million. This consisted mainly of a RMB8.9 million decrease in restricted bank deposits and RMB6.0 million in interest received.

Net cash generated from investing activities in 2016 was RMB42.5 million. This consisted mainly of a decrease in restricted bank deposits of RMB40.8 million mainly due to a decrease in bank deposit requirements as a result of a decrease in bills payables.

Net cash generated from investing activities in 2015 was RMB31.2 million. This consisted mainly of (i) a decrease in restricted bank deposits of RMB25.4 million due to a decrease in bank deposit requirements as a result of a decrease in bills payables; and (ii) interest received of RMB6.5 million from an increase in cash deposits.

Cash flows from financing activities

Net cash generated from financing activities for the six months ended 30 June 2018 was RMB116.8 million. This consisted mainly of (i) net bank borrowings of RMB141.4 million mainly used for working capital purposes and (ii) payment of interest in the amount of RMB25.7 million.

Net cash generated from financing activities in 2017 was RMB66.9 million. This consisted mainly of (i) net bank borrowings of RMB95.8 million mainly used for working capital purposes and (ii) payment of interest in the amount of RMB34.4 million.

Net cash used in financing activities in 2016 was RMB55.0 million. This consisted mainly of (i) net bank borrowings of RMB92.1 million mainly used for the repayment of bonds of RMB100 million and (ii) payment of interest in the amount of RMB46.7 million.

Net cash used in financing activities in 2015 was RMB44.9 million. This consisted mainly of (i) net bank repayments of RMB3.0 million and (ii) payment of interest in the amount of RMB42.7 million.

Net current assets

The following table sets out our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	**2016**	**2017**	**2018**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current Assets					
Inventories	223,518	226,390	137,417	146,783	315,963
Trade, retention and bills receivables	522,997	577,231	545,044	770,453	787,922
Prepayment, deposits and other receivables	521,314	491,699	952,682	996,703	1,031,610
Prepaid land lease payments-current portion	763	762	762	762	763
Restricted bank deposits	160,387	119,629	110,720	159,662	153,605
Cash and cash equivalents	60,828	104,881	13,571	27,343	8,567
	1,489,807	1,520,592	1,760,196	2,101,706	2,298,430
Current liabilities					
Trade and bills payables	370,675	284,191	233,899	353,455	364,311
Contract liabilities	13,473	18,470	40,556	48,299	75,520
Other payables and accruals	13,490	21,083	47,537	41,483	59,418
Bond payables	102,732	–	–	–	–
Bank borrowings	295,295	337,437	433,437	574,802	709,602
Amount due to a shareholder	6,375	6,986	12,029	13,386	18,114
Amounts due to related parties	667	27	–	–	–
Income tax payable	2,403	6,270	6,553	6,323	9,241
	805,110	674,464	774,011	1,037,748	1,236,206
Net current assets	684,697	846,128	986,185	1,063,958	1,062,224

Our net current assets increased from RMB1,064.0 million as at 30 June 2018 to RMB1,062.2 million as at 31 October 2018 primarily due to (i) an increase of RMB169.2 million in inventories primarily due to an increase in our purchases of raw materials due to increased in sales orders and an increase in finished goods that are yet to be delivered, (ii) an increase of RMB34.9 million in prepayment, deposits and other receivables, partially offset by (iii) an increase of RMB134.8 million in bank borrowings (of which RMB50.0 million of long-term bank borrowings was reclassified as current liabilities due to its maturity date) for working capital purposes, mainly for our Cable Business and (iv) a increase of RMB27.2 million in contract liabilities as a result of increased deposits from our Cable Business.

Our net current assets increased from RMB986.2 million as at 31 December 2017 to RMB1,064.0 million as at 30 June 2018 primarily due to (i) an increase of RMB225.4 million in trade, retention and bills receivable mainly because we completed several large projects during the first half of 2018, the receivables of which remained outstanding as of 30 June 2018; (ii) an increase of RMB49.0 million in restricted bank deposits; and (iii) an increase of RMB44.0 million in prepayment, deposits and other receivables, partially offset by (iv) an increase of RMB119.6 million in trade and bills payables as a result of (a) an increase in trade payables for purchases of raw materials and (b) an increase in bills payables for working capital purposes in our Cable Business and (v) an increase in bank borrowings of RMB141.4 million.

Our net current assets increased from RMB846.1 million as of 31 December 2016 to RMB986.2 million as at 31 December 2017 primarily due to (i) an increase of RMB461.0 million in prepayment, deposits and other receivables due to an increase in prepayment to our suppliers to help secure favourable treatment in terms of pricing and supply of raw materials and increase in tender deposits for projects under our Cable Business, partially offset by (ii) a decrease of RMB89.0 million in inventories mainly as we drew down our raw materials inventories because we made prepayments to suppliers to secure the supply and price of raw materials, (iii) an increase in bank borrowings of RMB96.0 million and (iv) a decrease in cash and cash equivalents of RMB91.3 million.

Our net current assets increased from RMB684.7 million as at 31 December 2015 to RMB846.1 million as at 31 December 2016, mainly because of (i) a RMB102.7 million decrease in bond payables due to the repayment of corporate bonds in September 2016, (ii) a RMB86.5 million decrease in trade and bills payables as a result of a decrease in use of bills payable to finance working capital, and partially offset by (iii) and increase of of RMB42.1 million in our bank borrowings.

INDEBTEDNESS

Interest-bearing bank borrowings

The following table sets forth the components of our bank borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current					
Secured interest-bearing bank – short-term bank loans	295,295	337,437	433,437	574,802	709,602
Non-current					
Secured interest-bearing bank – long-term bank loans	–	50,000	50,000	50,000	–
Total borrowings	295,295	387,437	483,437	624,802	709,602

The following tables sets forth the scheduled repayment date of our bank borrowings as of the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Analysed into:					
– within one year	295,295	337,437	238,437	274,802	409,802
– More than one year, but not exceeding two years	–	–	195,000	300,000	299,800
– More than two years, but not exceeding five years	–	50,000	50,000	50,000	–
Total borrowings	295,295	387,437	483,437	624,802	709,602

Our borrowings bear interest at fixed and floating effective interest rates. The following tables sets forth the range of effective interest rates for our bank borrowings as of the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Effective interest rates:					
Bank borrowings	0.02%-6.98%	0.01%-6.49%	0.08%-6.40%	0.12%-6.37%	0.04%-6.37%

We had interest-bearing bank borrowings in the amount of RMB295.3 million, RMB387.4 million, RMB483.4 million, RMB624.8 million and RMB709.6 million as at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, respectively, all of which were denominated in Renminbi. Our bank borrowings increased significantly during the Track Record Period primarily due to increased working capital needs due to our growth, and in particular, prepayments to suppliers and tender and performance bonds for projects under our Cable Business. Our bank borrowings increased from RMB624.8 million as at 30 June 2018 to RMB709.6 million at 31 October 2018 mainly due to the increase in bank borrowings for working capital purposes.

Certain of our interest-bearing bank borrowings were secured as at 31 December 2015, 2016 and 2017 and 30 June 2018 by (i) certain buildings, leasehold improvement and machineries included in property, plant and equipment in the amounts of RMB72.6 million, RMB68.8 million, RMB65.1 million and RMB61.5 million, respectively and and (ii) prepaid land lease payments with an aggregate carrying amount of RMB22.3 million, RMB21.8 million, RMB21.2 million and RMB29.6 million, respectively.

During the Track Record Period, Dr. Tang and his related parties have provided guarantees to facilitate us to obtain credit facilities from various financial institutions. Please refer to Note 29 of the Accountants' Report in Appendix I to this **[REDACTED]**. In addition, during the Track Record Period, the Group has given limited guarantees to various banks to secure banking facilities granted to certain related parties which have all been released as of 30 June 2018. Please refer to Note 40 of the Accountants' Report. As of 31 October 2018, the amount of utilised banking credit facilities of our Group was approximately RMB1,077.9 million, of which approximately RMB438.1 million was secured by guarantees provided by Dr. Tang and his related parties. Save for the amount of approximately RMB122.8 million to be repaid using our **[REDACTED]** from the **[REDACTED]** within six months after the **[REDACTED]**, the remaining credit facilities, if any, guarantee provided by Dr. Tang and his related parties will be settled or released prior to or upon the **[REDACTED]**. For details of the settlement of the aforesaid credit facilities, please refer to the section headed "Future Plans and **[REDACTED]**" in this **[REDACTED]**. Our Board is of the view that our Group would be able to obtain its own financing to support its business operations without undue reliance on our Controlling Shareholders, their controlled entities or their respective associates after **[REDACTED]**.

Our bank borrowings do not carry any material restrictive covenants. Typical covenants relating to our outstanding banking facilities are as follows:

- We are required to timely inform the bank of any material adverse change which may affect our repayment ability of the loan;

- We are required to immediately inform the bank of any factors which may inhibit, impair or delay performance of our obligations;

- We must ensure that the borrowings shall be applied for the purpose as stated in the relevant agreements; and

- We have agreed not to create any kind of encumbrance or security interest over our assets without the bank's written consent.

As at 31 October 2018, we had total banking credit facilities of RMB1,799.0 million, of which RMB721.1 million were available for drawdown. As at 31 October 2018, effective interest rates for borrowings under these credit facilities ranged from 0.04% to 6.37%. Up to 31 October 2018, being the latest practicable date for the purposes of our indebtedness statement, we have not received any notice from our banking providers indicating that they may withdraw or downsize our credit facilities. We currently do not have any plans to raise material external debt financing such as bond issuance. We confirm that during the Track Record Period and up to the Latest Practicable Date, we have not encountered any material difficulty in raising bank loans or other financing in our business operations.

Amounts due to shareholder

We had unsecured and interest free borrowings from a shareholder, Dr. Tang in the amount of RMB6.4 million, RMB7.0 million, RMB12.0 million, RMB13.4 million and RMB18.1 million as at 31 December 2015, 2016 and 2017, 30 June 2018 and 31 October 2018, respectively. All outstanding amounts will be settled upon **[REDACTED]**.

Indebtedness as at 31 October 2018

As at 31 October 2018, being the latest practicable date for the purpose of our indebtedness statement, except as disclosed in this **[REDACTED]** or any intra-group liabilities, we did not have any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding.

Directors' confirmation

Our Directors have confirmed that we had no material defaults in payment of trade and non-trade payables and bank borrowings, nor any breaches of finance covenants during the Track Record Period.

Our Directors have confirmed that there is no material adverse change in our indebtedness position since 31 October 2018 and up to the date of this **[REDACTED]**.

DESCRIPTION OF SELECTED COMBINED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

Inventories comprise raw materials, work-in-progress and finished goods. Raw materials mainly consists of high carbon steel wire rods. The following table sets out the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	203,646	210,024	110,988	116,345
Work-in-progress	12,439	6,601	17,312	20,442
Finished goods	7,433	9,765	9,117	9,996
	223,518	226,390	137,417	146,783

Our inventories remained relatively stable at RMB223.5 million as at 31 December 2015 and RMB226.4 million as at 31 December 2016, but significantly decreased to RMB137.4 million as at 31 December 2017 primarily due to a decrease in raw materials inventories of 99.0 million as we drew down our raw materials inventories because we made prepayments to suppliers to help secure the supply and price of raw materials. Inventories increased slightly from RMB137.4 million as at 31 December 2017 to RMB146.8 million as at 30 June 2018 mainly due to increased purchases of raw materials of RMB5.4 million.

Average inventory turnover days provides a general indication of the average time required for us to sell the inventories. The following table sets out our average inventory turnover days for the years indicated.

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
Average inventory turnover day[(1)]	90	95	62	52

Note:

(1) Average inventory turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of inventories by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

The average inventory turnover days remained stable at 90 days in 2015 and 95 days in 2016, but decreased to 62 days in 2017, and further decreased to 52 days for the first half of 2018 as we drew down our raw material inventories as discussed above.

As at [31 October 2018], approximately RMB130.4 million or 88.4% of our inventories as of 30 June 2018 were subsequently utilised or sold.

To minimise the risk of building up aged inventories, we carry out an inventory review and an ageing analysis on a regular basis. We make provision for obsolete and slow-moving inventories of raw materials, work-in progress and finished goods that are no longer suitable for use in production or sale. A number of factors including historical and forecast consumption of our raw materials, as well as marketability of our products, are taken into account when we consider whether to make appropriate provision. As at 31 December 2016, 2017, and 30 June 2018, our provision for impairment on inventories was RMB0.8 million, RMB0.8 million and RMB0.8 million, respectively.

Trade, retention and bills receivables

Trade and bills receivable represent the amounts receivable from customers and under bank acceptance bills in connection with our sales to customers. Retention receivables represent retention monies receivable from customers after the warranty period has expired. We grant our customers credit terms of up to 90 days. We also allow certain customers to use bank acceptance bills with maturities of up to six months to settle their payments, and we also endorse our bills receivables to suppliers from time to time. The following table sets out our trade and bills receivables as at the dates indicated:

	As at 31 December			**As at 30 June**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	418,580	418,389	483,364	703,659
Retention receivables	68,369	73,332	80,276	86,655
Less: allowance for doubtful debts	(14,872)	(19,378)	(18,596)	(19,861)
Trade and retention receivables, net	472,077	472,343	545,044	770,453
Bills receivables	50,920	104,888	–	–
	522,997	577,231	545,044	770,453

Our trade, retention, and bills receivables increased from RMB523.0 million as at 31 December 2015 to RMB577.2 million as at 31 December 2016 primarily because of increased sales for both our Cable Business and Prestressed Materials Business. In particular, trade receivables increased as we undertook the Humen No. 2 Bridge project (Dasha section) (虎門二橋大沙段) project in 2016. Our trade, retention, and bills receivables decreased slightly from RMB577.2 million as at 31 December 2016 to RMB545.0 million as at 31 December 2017, but increased to RMB770.5 million as of 30 June 2018 mainly because we completed several large projects during the first half of 2018, the receivables of which remained outstanding as of 30 June 2018.

We manage control over our outstanding receivables regularly reviewing overdue balances and the credit worthiness of our customers. The following table sets out an aged analysis of our net trade and retention receivables (net of impairment losses) based on the payment due date as of the dates indicated, and our average trade receivables turnover days for the periods indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	128,048	170,976	186,698	177,211
Less than 3 months past due	158,380	162,304	67,816	362,642
3-6 months past due	60,990	19,864	184,381	114,397
7-12 months past due	28,486	37,046	38,736	60,377
More than 1 year past due but less than 2 years past due	59,545	32,247	46,860	27,021
More than 3 years past due but less than 3 years past due	23,512	25,606	9,763	22,963
More than 3 years past due but less than 4 years past due	9,479	18,035	6,972	2,477
More than 4 years past due but less than 5 years past due	3,637	6,265	3,818	3,365
	472,077	472,343	545,044	770,453

	For the year 31 December			For the six months 30 June
	2015	**2016**	**2017**	**2018**
Average trade receivables turnover days[(1)]	153	135	120	167

Note:

(1) Average trade receivables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue for the relevant period and then multiplied by the number of days in the relevant period.

As at [31 October] 2018, approximately RMB617.1 million or 78.1% of our trade and retention receivables as at 30 June 2018 had been settled.

Average trade receivables turnover days provides a general indication of the time required for us to collect cash payments from sales.

Our average trade receivables turnover days in 2015, 2016, 2017 and the first half of 2018 were 153 days, 135 days, 120 days and 167 days, respectively. Such turnover days were consistently higher than the credit term of 90 days we generally grant to our customers. Due to the nature of the industry we operate in, a substantial portion of our revenue is derived from sales to major construction companies, which are related to or are in contract with government entities that construct infrastructure projects. Government related entities may take a longer period to complete their internal procedures for processing of payments to us. Please see "Risk Factors — Risks Relating to our Business and Industry — We may experience delays or defaults in payment of trade and retention receivables from our customers which may adversely affect our cash flow and working capital and results of operations" in this **[REDACTED]**.

Our trade receivables turnover days decreased from 153 days in 2015 to 120 days in 2017 mainly due to an improvement in our collection efforts, while the subsequent increase to 167 days for the first half of 2018 was primarily due to timing differences as there is normally lower receivables balances at year end due to collection efforts and we completed several large projects during the first half of 2018, the receivables of which remained outstanding as of 30 June 2018.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, we recorded an allowance for doubtful debts on our trade and retention receivables of RMB14.9 million, RMB19.4 million, RMB18.6 million and RMB19.9 million, respectively. Trade and retention receivables that were past due but not impaired relate to customers that have a good track record and credit quality with us, and based on past experience, we are of the view that no provision for impairment is necessary in respect of these receivables. We have made full provision for all trade and retention receivables over 5 years, as based on our past experience, such receivables are generally not recoverable. For further detail on trade, retention and bills receivables, including our credit exposure, please refer to Note 22 to the Accountants' Report in Appendix I to this **[REDACTED]**.

Prepayments, deposits and other receivables

Our prepayments represent prepayments for the purchase of raw materials and our deposits mainly represent tender bonds for tender bidding and performance bonds for our Cable Business. The following table sets forth our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Prepayments	483,659	440,169	700,803	730,345
Deposits	41,914	54,706	257,955	264,676
Other receivables	1,343	1,450	889	9,459
Provision	(5,602)	(4,626)	(6,965)	(7,777)
	521,314	491,699	952,682	996,703
Non-current				
Prepayments	–	–	–	–
Deposits	93,007	66,443	26,335	2,920
	614,321	558,142	979,017	999,623

Our prepayments, deposits and other receivables decreased from RMB614.3 million as at 31 December 2015 to RMB558.1 million as at 31 December 2016 mainly due to a decrease in prepayments of RMB43.5 million as a result of deliveries of the raw materials to us with respect to the Humen No. 2 Bridge project (Dasha section) for our Cable Business. Our prepayments, deposits and other receivables significantly increased from RMB558.1 million as at 31 December 2016 to RMB979.0 million as at 31 December 2017 and further to RMB999.6 million as at 30 June 2018 mainly due to an increase in prepayment to our suppliers to help secure favourable treatment in terms of pricing and supply of raw materials and an increase in our deposits for projects under our Cable Business.

Trade and bills payables

Trade payables represent the amounts due to our suppliers from which we are granted credit terms generally ranging from 0 to 90 days. Bills payable represent the outstanding amounts of our payment obligations to financial institutions or under letters of credit issued by certain banks in PRC in connection with our purchases from suppliers. The following table sets out our trade and bills payables and other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payable	46,225	45,216	30,057	60,818
Bills payables	324,450	238,975	203,842	292,637
	370,675	284,191	233,899	353,455

As of 31 December 2015, 2016, 2017 and 30 June 2018, bills payable of RMB194.2 million, RMB119.5 million, RMB153.4 million and RMB241.4 million were secured by our restricted bank deposits of RMB94.8 million, RMB62.4 million, RMB72.9 million and RMB114.9 million, respectively.

During the Track Record Period, we used bills payables to finance our working capital primarily for our Cable Business. Majority of these bills payables comprised bills issued by Shanghai Pujiang to Zhejiang Pujiang for the purchases of bridge cables. Historically, our Cable Business uses Shanghai Pujiang, as the contracting party to enter into sales contracts with our customers, while Zhejiang Pujiang manufactures the bridge cables as specified in the contract. Such intragroup transactions were usually settled using bills issued by Shanghai Pujiang to Zhejiang Pujiang or by cash. Upon receiving of these bills, as part of Zhejiang Pujiang's financing activities, Zhejiang Pujiang would discount these bills to financial institutions to finance its working capital or to endorse these bills to other suppliers. As advised by our PRC Legal Advisers, the issuance and management of these bills payable of the Group are in compliance with Negotiable Instruments Law of the PRC ("中華人民共和國票據法").

Trade and bills payables decreased from RMB370.7 million as at 31 December 2015 to RMB284.2 million as at 31 December 2016, and further decreased to RMB233.9 million as at 31 December 2017. The RMB86.5 million decrease in trade and bills payables between 31 December 2015 and 2016 was mainly because we decreased the use of bills payables for working capital. The RMB50.3 million decrease in trade and bills payables between 31 December 2016 and 2017 was also primarily due to a decrease in use of bills payables for working capital purposes. The RMB119.6 million increase in trade and bills payables between 31 December 2017 and 30 June 2018 was primarily due to the increase in trade payable to suppliers for raw materials and an increased use of bills payable to finance our working capital in our Cable Business.

The following table sets out an aged analysis of our trade payables, based on the invoice date, as at the dates indicated and our average trade payables turnover days for the periods indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	23,691	19,730	13,849	34,049
Within 4-6 months	2,962	4,098	5,376	14,643
Within 7-12 months	4,849	5,558	3,897	6,471
More than 1 year but less than 2 years	8,116	3,976	1,121	300
More than 2 years but less than 3 years	1,030	5,246	483	722
More than 3 years but less than 4 years	4,099	999	373	130
More than 4 years but less than 5 years	803	3,966	832	157
Over 5 years	675	1,643	4,126	4,346
	46,225	45,216	30,057	60,818

	For the year ended 31 December			For six months ended 30 June
	2015	**2016**	**2017**	**2018**
Average trade payables turnover days[(1)]	22	19	13	17

Note:

(1) Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

As of [31 October] 2018, approximately RMB48.9 million or 80.4% of our trade payable as at 30 June 2018 had been settled.

Our average trade payable turnover days in 2015, 2016, 2017 and the first half of 2018 were 22 days, 19 days, 13 days and 17 days, respectively. Such turnover days were much lower than the credit term of up to 30 days that we are generally granted by our suppliers mainly due to the significant amount of prepayments to suppliers for raw materials inventories.

Our trade payable turnover days decreased from 22 days in 2015 to 19 days in 2016 and further decreased to 13 days in 2017 primarily due to our increasing use of prepayments to suppliers. The slight increase in our trade payable turnover days to 17 days in the first half of 2018 was mainly due to increased trade payables as a result of timing differences as balance during year end are generally lower due to greater collection efforts by suppliers.

Other payables and accruals

Other payables and accruals (include payroll payable, value added tax payable, accrued operating expenses and others). Our other payables and accruals increased from RMB13.5 million as at 31 December 2015 to RMB21.1 million as at 31 December 2016 mainly due to an increase in accrued transportation expenses. The amount further increased to RMB47.5 million as at 31 December 2017 primarily because of an increase in value added tax payable and accrued **[REDACTED]** expenses. The amount decreased to RMB41.5 million as at 30 June 2018 mainly due to a decrease in accrued transportation expenses.

Contract liabilities

Contract liabilities represent deposits or advance payments from customers of our Cable Business. The following table sets forth our contract liabilities as at the dates indicated:

	As at 31 December			**As at 30 June**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	13,473	18,470	40,556	48,299

Our contract liabilities increased from RMB13.5 million as at 31 December 2015 to RMB18.5 million as at 31 December 2016 and further to RMB40.6 million as at 31 December 2017 and RMB48.3 million as at 30 June 2018 primarily due to an increasing number of projects under our Cable Business, including several projects with relatively large amounts of deposits.

CAPITAL EXPENDITURES

We incur capital expenditures mainly for the expansion of production capacity and upgrading of production facilities in PRC. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the carrying amount of our property, plant and equipment was RMB119.2 million, RMB108.1 million, RMB99.3 million and RMB96.1 million, respectively, which consisted mainly of buildings with net carrying amounts of RMB79.6 million, RMB75.2 million, RMB71.0 million and RMB69.2 million, respectively. The following table sets out our capital expenditures for the years indicated:

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Additions of property, plant and equipment	707	1,296	1,996	1,412

During the Track Record Period, we did not have any commitments for capital expenditures. We currently expect our capital expenditures for the year ending 31 December 2019 to be approximately RMB50 million, which will be used mainly for (i) the construction of galvanised prestressed products production lines for our Prestressed Materials Business and (ii) the upgrade of production equipment and environment protection facilities for our Prestressed Materials Business; and (iii) upgrade of research and development centre for our Cable Business. Please refer to the section headed "Future Plans and **[REDACTED]**" for details of our plan.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Operating Lease Commitments

The following table sets forth our total operating lease commitments as at the dates indicated:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	971	530	177	779
In the second to fifth year	706	177	–	2,040
Over five years	–	–	–	1,208
	1,677	707	177	4,027

As of 30 June 2018 and the Latest Practicable Date, we do not have any capital commitments for capital expenditures.

CONTINGENT LIABILITIES

Historically, we have given corporate guarantees to various banks to secure banking facilities granted to certain related parties and unrelated companies for the purposes of their general working capital purposes. Please refer to Notes 35 and 40 to the Accountants' Report in Appendix I to this **[REDACTED]** for further details. Such guarantees have been released by various banks as of 30 June 2018.

Save as disclosed in this section as at the Latest Practicable Date, we did not have any significant contingent liabilities or outstanding guarantees in respect of payment obligations of any third parties.

RELATED PARTY TRANSACTIONS

Except for the amount due to shareholder and the personal and corporate guarantees disclosed in the section headed "Financial Information — Indebtedness", there were no significant related party transactions during the Track Record Period. Our Directors have confirmed that these transactions were conducted in accordance with terms as agreed between us and the respective related parties, on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors have further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

OFF BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL RATIOS

The following table sets out certain financial ratios relating to our Group as at the dates or for the years indicated:

	As at/ Year ended 31 December			As at/ Six months ended 30 June
	2015	2016	2017	2018
Current ratio(1)	1.85	2.25	2.27	2.03
Quick ratio(2)	1.57	1.92	2.10	1.88
Return on assets(3)	3.7%	4.3%	4.6%	N/A
Return on equity(4)	6.9%	7.4%	8.1%	N/A
Gearing ratio(5)	42.7%	38.5%	44.1%	54.4%
Net debt to equity ratio(6)	36.2%	28.1%	42.8%	52.1%
Net profit margin(7)	6.3%	6.9%	6.7%	8.3%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year/period.

(2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of the year/period.

(3) Return on assets is calculated by dividing profit for the year/period by total assets.

(4) Return on equity is calculated by dividing profit for the year/period by total equity.

(5) Gearing ratio is calculated by dividing total debt by total equity. Total debt is calculated as bank borrowings and bond payables.

(6) Net debt to equity ratio is calculated by dividing net debt by total equity as of the end of the year/period. Net debt is calculated as total debt less cash and cash equivalents.

(7) Net profit margin is equal to our net profit divided by our total revenue for the year/period.

Current and quick ratios

Our current ratios as at 31 December 2015, 2016 and 2017 and 30 June 2018 were 1.85, 2.25, 2.27 and 2.03, respectively, and our quick ratio as at those dates were 1.57, 1.92, 2.10 and 1.88, respectively. The increase in these ratios between 31 December 2015 and 2017 were generally due to an increase in current assets as a result of an increase in prepayments to suppliers and deposits to customers. The decrease in these ratios between 31 December 2017 and 30 June 2018 were generally due to the increase in current liabilities as a result of increased bank borrowings and increase in trade and bills payables.

Return on assets

Our return on assets for the years ended 2015, 2016 and 2017 were 3.7%, 4.3% and 4.6%, respectively. Our return on assets increased from 3.7% in 2015 to 4.3% in 2016 was primarily due to increased profit after tax. Our return on assets further increased slightly to 4.6% in 2017 primarily due to increased profit after tax while our total assets increased at a slower rate.

Return on equity

Our return on equity for the years ended 31 December 2015, 2016 and 2017 were 6.9%, 7.4% and 8.1%, respectively. The general increase in return on equity from 2015 to 2017 was primarily due to a continued increase in profit after tax during those periods.

Gearing ratio

Our gearing ratio as at 31 December 2015, 2016 and 2017 and 30 June 2018 were 42.7%, 38.5%, 44.1% and 54.4%, respectively. The decrease in gearing ratio between 31 December 2015 and 2016 was primarily due to the repayment of our bond payable. The increase in the gearing ratio between 31 December 2017 and 30 June 2018 was primarily due to increased in bank borrowings.

Net debt to equity ratio

Our net debt to equity ratio as at 31 December 2015, 2016 and 2017, and 30 June 2018 were 36.2%, 28.1%, 42.8% and 52.1%, respectively. Our net debt to equity ratio decreased from 36.2% to 28.1% between 31 December 2015 and 2016 primarily due to the repayment of our bond payable, and an increased cash balance. The increase to 42.8% as at 31 December 2017 and 52.1% as at 30 June 2018 were primarily due to increased bank borrowings and lower cash balances.

Net profit margin

Our net profit margin for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were 6.3%, 6.9%, 6.7% and 8.3%, respectively. Our net profit margin increased from 6.3% in 2015 to 6.9% in 2016 primarily due to an increase in gross profit margin as result of a decrease in our average cost of raw materials. Our net profit margin increased from 6.7% in 2017 to 8.3% in the first half of 2018 primarily due to increase in gross profit margin due to the increase in average selling price of our products.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including credit risk, interest rate risk and liquidity risk.

For more information, please refer to the section headed "Financial Information — Critical Accounting Policies and Estimates".

Credit risk

Our customers are mainly reputable corporations that we consider creditworthy. It is our policy that all customers who wish to trade on credit terms with us are subject to credit verification procedures. We believe our credit risk to be low as we perform ongoing credit evaluation on the financial condition of our debtors and tightly monitor the ageing of our receivables. Our management reviews the recoverable amount of receivables individually and collectively at each reporting date to ensure adequate impairment losses are made for irrecoverable amounts. The receivables balance of our top five customers were RMB140.8 million, RMB165.2 million, RMB231.3 million and RMB213.3 million as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively, which represented 26.9%, 28.6%, 42.4% and 27.7% of our total trade, retention and bills receivables as at those dates.

Interest rate risk

Our interest rate risk arises mainly from our bank borrowings. Our bank borrowings were issued at fixed rates which expose us to fair value interest-rate risk. We had no cash flow interest-rate risk as none of our borrowings bear floating interest rates. We have not used any financial instruments to hedge our interest rate risks. Our management monitors our interest rate exposure and will consider hedging significant interest rate risks should the need arise. For more information about or bank borrowings and interest rates, please refer to the section headed "Financial Information — Indebtedness".

Liquidity risk

Our policy is to regularly monitor our liquidity requirements to comply with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of credit from major banks to meet our liquidity requirements. During the Track Record Period, we had not experienced any difficulties in renewing or roll-over our credit facilities. As of 30 June 2018, we had RMB1,000.7 million in financial liabilities due within one year or on demand. For more information on the maturity profile of our financial liabilities, please refer to Note 37 to our combined financial statements in the Accountants' Report set out in Appendix I to this **[REDACTED]**.

Foreign currency exchange risk

We mainly operate in the PRC and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RMB and the USD and/or Euro. Foreign exchange risk arises from commercial transactions or recognised financial assets and liabilities that are denominated in a currency that is not in RMB, our Group's functional currency.

During the Track Record Period, we had limited overseas sales that were denominated in USD and/or Euro. Substantially all of our costs of production are denominated in RMB. Although we only sold a small portion of our products in USD and/or Euro, this may increase in the future should our overseas sales increase. Any significant increases in the RMB against the USD and/or Euro can adversely affect our profitability. We currently do not conduct any hedging activities with respect to our foreign currency exchange risks. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — Our results of operations may be adversely affected by foreign currency exchange rate fluctuations".

DIVIDEND

During the Track Record Period and up to the date of this document, no dividend has been declared or paid by our Company.

We have no plan to pay or declare any dividends prior to the **[REDACTED]**. As at the Latest Practicable Date, we also did not have any specific dividend policy nor pre-determined dividend payout ratios.

Under Cayman Island law, dividends may be paid out of the profits of our Company or out of sums standing to the credit of our share premium account provided that in no circumstances may dividends be paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Future dividend payments will also depend on the availability of dividends we will receive from our subsidiaries in the PRC. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, subject to certain requirements of Cayman Islands Law. Our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Directors. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all.

DISTRIBUTABLE RESERVES

As at 30 June 2018, our Company did not have any reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

During the Track Record Period, we incurred **[REDACTED]** expenses of **[REDACTED]** million (based on the mid-point of the indicative **[REDACTED]**), of which **[REDACTED]** million was charged to our combined statement of profit or loss and other comprehensive income and the remaining amount of **[REDACTED]** million was recorded as prepayment which is expected to be capitalised upon **[REDACTED]**. We expect to further incur **[REDACTED]** expenses (including **[REDACTED]** commissions) of approximately **[REDACTED]** million (based on mid-point of our indicative **[REDACTED]** for the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the **[REDACTED]**, of which an estimated amount of approximately **[REDACTED]** million and **[REDACTED]** million will be charged to our combined statement of profit or loss and other comprehensive income in the second half of 2018 and in 2019, respectively, and an estimated amount of approximately **[REDACTED]** million and **[REDACTED]** million will be capitalised in the second half of 2018 and in 2019, respectively. We do not expect these **[REDACTED]** expenses to have a material impact on our business and results of operations for the year ended 31 December 2018.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our combined net tangible assets attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set forth below to illustrate the effect of the **[REDACTED]** on our combined net tangible assets attributable to owners of our Company as at 30 June 2018 as if the **[REDACTED]** had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma data may not give a true picture of our combined net tangible assets attributable to owners of our Company as at 30 June 2018 or as at any subsequent date.

	Combined net tangible assets attributable to owners of our Company as at 30 June 2018(1)	Estimated [REDACTED] from the [REDACTED](2)	Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets per Share(3) (4) (5)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'*	*HK$*
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	[1,118,188]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	[1,118,188]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The combined net tangible assets attributable to owners of the Company as at [30 June 2018] are based on the combined net assets attributable to owners of the Group in the amount of RMB[1,147.8] million, as extracted from the combined financial statements in the Accountants' Report included in Appendix I to this **[REDACTED]**, less prepaid land lease payments in the amount of RMB[29.6] million.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** to be issued and the indicative **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**, respectively, after deduction of **[REDACTED]** commissions and fees and other related expenses payable by the Group and without taking into account any Shares which may be issued upon the exercise of the **[REDACTED]**.

3. No adjustment has been made to the combined net tangible assets attributable to owners of the Group as at [30 June 2018] to reflect any of the Group's trading results or other transactions entered into subsequent to [30 June 2018].

4. The pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that **[REDACTED]** Shares were in issue assuming that the **[REDACTED]** had been completed and the **[REDACTED]** was not exercised.

5. The pro forma adjusted combined net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.887. No representation is made that the HK$ RMB amounts have been, could have been or may be converted to RMB and HK$ or vice versa, at that rate or at all.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Since 1 July 2018 and up to the Latest Practicable Date, we have secured several significant bridge cable projects in both China and overseas countries, including the Yongdian River Bridge in Dandong, Liaoning Province, and the "1915 Canakkale Bridge" in Turkey. The aggregate amount of our total signed contract value was approximately RMB567.5 million. Based on the unaudited financial information of our Company for the four months ended 31 October 2018, our revenue increased as compared to the same period in 2017. We expect that our sales for the year ended 31 December 2018 will outpace the year ended 31 December 2017 due to increase in customer demand.

Our Directors have confirmed that, since 30 June 2018 and up to the date of this **[REDACTED]**, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report included in Appendix I to this **[REDACTED]**.

We have prepared unaudited preliminary financial information for our Group as of and for the year ended 31 December 2018, which is set forth in Appendix III to this **[REDACTED]**.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been **[REDACTED]** on that date.