OVERVIEW

Our Group mainly provides materials for construction projects. Our Cable Business mainly provides bridge cables for long-span bridges and super-long-span bridges. Long-span bridges and super-long-span bridges are industry terms and are bridges that use cables as the main bearing structure. Super-long-span bridges generally refer to cable-stayed bridges with a main span of 400 m. or above and suspension bridges with a main span of 900 m. or above. The history of long-span bridges in China can be traced back to 1991 when the first Chinese-made super-long-span bridge, Shanghai Nanpu Bridge (南浦大橋) was built. Our Prestressed Materials Business mainly provides prestressed materials for various infrastructure constructions.

We are the largest provider of bridge cables for the construction of super-long-span bridges in China and the third largest prestressed materials manufacturer in China. According to Frost & Sullivan, we have supplied cables to 35.1% of the super-long-span bridges constructed in China between 1991 and 2017, of which 52.9% were for suspension bridges and 30.0% were for cable-stayed bridges in China. We ranked third in terms of prestressed materials sales revenue in 2017, according to Frost & Sullivan.

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, with strong technical know-how in super-long-span suspension bridges and super-long-span cable-stayed 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. 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.

  Our business has over 28 years of experience in the manufacture of bridge cables for construction of bridges. We have participated in over 800 bridge projects globally and our products have been or are currently used for constructing the three largest super-long-span bridges in China. We were also the first to produce HDPE (high-density polyethylene) protective stay cables for cable-stayed bridges and PPWS (pre-fabricated parallel wire strand) for main cables used on suspension bridges in China.

- **Prestressed Materials Business.** We mainly engage in the manufacture of prestressed materials for construction projects. Our main lines of products include rare earth coated prestressed products, plain surface prestressed products and galvanised prestressed products.

  Our business has over 14 years of experience in the production of prestressed materials and we operate our Prestressed Materials Business under the brand of "Ossen (奧盛)". We 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.

The following tables set out the breakdown of our revenue, gross profit and gross profit margin by business segment for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*	
							(unaudited)			
Cable Business	282,723	27.8	303,275	28.0	425,803	32.3	132,719	27.1	189,457	30.7
Prestressed Materials Business	735,879	72.2	778,612	72.0	891,890	67.7	357,524	72.9	427,800	69.3
Total revenue	1,018,602	100.0	1,081,887	100.0	1,317,693	100.0	490,243	100.0	617,257	100.0

	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*	*(%)*	*RMB'000*	*(%)*
							(Unaudited)			
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

We are committed to product research and development in order to respond to the fast-changing design and technology in infrastructure construction projects. We have therefore deployed substantial in-house resources in this area, such as setting up government recognised research centres and laboratories, and collaborating with tertiary institutions to advance our research outcome. As a result, we have been able to offer innovative technologies and maintain our competitiveness.

In addition, as our products are used in public infrastructure construction projects, safety and reliability are of paramount importance. We therefore place a great emphasis on the quality of our products. We are equipped with advance testing equipment and have a dedicated quality control team to monitor the quality of our products. We have established quality management systems that are designed in accordance with the ISO 9001:2008 standards and each of our production facilities is ISO 9001:2008 certified. We believe our commitment in high product quality control system has earned us high recognition amongst our customers and has helped us to differentiate from our competitors.

COMPETITIVE STRENGTHS

We believe we have the following competitive strengths that will continue to drive our future success:

We are a leader in the bridge cables manufacturing industry and the prestressed materials manufacturing industry in China

We are the largest provider of bridge cables for the construction of super-long-span bridges in China. We have over 28 years of experience in the manufacture of bridge cables for construction of bridges and have participated in over 800 projects globally including the United States, India and Korea. According to Frost & Sullivan, we have supplied to 35.1% of the super-long-span bridges constructed in China between 1991 and 2017 of which, 52.9% were for suspension bridges and 30.0% were for cable-stayed bridges.

Our bridge cables have been or are currently used for constructing the three largest super-long-span bridges in China being Humen No. 2 Bridge (虎門二橋), Xihoumen Bridge (西堠門大橋) and Runyang Yangtze River Bridge (潤揚長江大橋). We were also the first in China to produce HDPE (high-density polyethylene) protective stay cables for cable-stayed bridges and PPWS (pre-fabricated parallel wire strand) for suspension bridges main cables. We believe our long operating history and track record have earned us a leading market position. Since our establishment, we have participated in numerous landmark super-long-span bridges projects which include the following:

Suspension bridges

- 1915 Canakkale Bridge in Turkey, which is expected to be open to traffic in 2023 and will become the largest suspension bridge in the world
- Humen No. 2 Bridge (虎門二橋), which is expected to be open to traffic in 2019 and will become the largest suspension bridge in China
- Egongyan Railway Bridge (鵝公岩軌道交通專用線), which is expected to be open to traffic in 2019 and will become the largest self-anchored suspension bridge in the world
- San Francisco Oakland Bay Bridge completed in 2013, first to apply pre-shaping suspension cables on a suspension bridge in the world

Cable-stayed bridges

- Nanpu Bridge (南浦大橋) completed in 1991, the first super-long-span cable-stayed bridge in China

- Hangzhou Bay Bridge (杭州灣跨海大橋) completed in 2008, one of the longest sea-crossing bridges in China as at the Latest Practicable Date

- Minpu Bridge (閔浦大橋) completed in 2009, the largest double deck cable-stayed bridge in China

For details of the above representative projects, please refer to "Business — Our Business — Cable Business — Major projects participated by us".

Apart from our solid track record in supplying bridge cables to landmark construction projects, we have been able to maintain a leading market position due to the high entry barriers in this market. The bridge cable manufacturing industry in China has high barriers of entry due to its high standard for (i) projects track record, (ii) capital and production capabilities and (iii) human resources within the industry when competing for bridge construction projects. New entrants typically face high barriers of entry because of the significant amount of investments and efforts required to compete with the existing players in the market. Please refer to "Industry Overview — Market Analysis for the Bridge Cable and Prestressed Materials Industry — Key Entry Barriers — Key barriers to entry for bridge cable manufacturers" for details.

In addition to our leading position as a bridge cable manufacturer, we are one of the largest prestressed materials manufacturers in China. We ranked third in terms of prestressed materials sales revenue in 2017, according to Frost & Sullivan. We have a broad product portfolio ranging from plain surface prestressed products, rare earth coated prestressed products to galvanised prestressed products. These products have a wide range of applications such as for bridges, highways, high-speed railways sleepers and oil-drilling platforms. We are one of the few manufacturers having the technologies and know-how to produce galvanised prestressed products for bridge cables. We were also one of the earliest prestressed materials manufacturers to obtain certifications and accreditations from overseas recognised authorities which allowed our prestressed products to enter into overseas countries such as Korea. These certifications are only awarded to manufacturers who can pass the relevant industry standards and assessments, and they include the Japanese Industrial Standards Mark Certificate from Japan, United Kingdom Accreditation Service certification from the United Kingdom and the Korean Standards Association certification from South Korea. These certifications have earned us competitive advantage over our competitors to enter into overseas markets.

We possess strong research and technological development capabilities and robust know-how

We place significant emphasis on our product research and development as we believe technology enhances our competitiveness. We pursue product enhancement which fits the technological requirement of our customers and responds to market changes.

Our research and development team carries out their research and testing at our research centres and laboratories and we have controls in place to ensure the effectiveness of our research workflow. Due to our dedications to technological development, our research centres were awarded with various recognitions by the government authorities. Please refer to the section headed "Business — Research and Development — Recognitions" for further details of our recognitions. Apart from using our in-house resources, we also collaborate with tertiary institutions, such as Tongji University and Jiujiang Engineering and Materials Institute in China to further advance our research outcome. Please refer to the section headed "Business — Research and Development — Collaboration with tertiary institutions" for further details. For the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, our research and development expenses accounted for 4.2%, 4.5%, 4.6% and 3.1% of our revenue, respectively.

As at the Latest Practicable Date, we had 142 registered patents and six pending patent registrations. For details of our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further Information about our Business — Intellectual property rights" set out in Appendix V to this **[REDACTED]**.

For details of our technologies and inventions, please refer to the section headed "Business — Intellectual Property".

In addition, we have participated in numerous outstanding construction projects that were awarded the China Construction Engineering Luban Award (中國建築工程魯班獎), Zhan Tianyou Civil Engineering Award (詹天佑土木工程獎) and National Quality Engineering Award (國家優質工程獎). We believe that these achievements have given us recognition for our product innovation and product excellence, enhanced our reputation and boosted confidence from our existing and potential customers in us. Moreover, with our innovative spirits and wide product applications, we are able to further develop new potential customers and expand our customer base.

We own industry-leading production facilities and have stringent control in our manufacturing process

For our Cable Business, we have industry-leading production facilities for the production of bridge cables. At our production facility at Xitang, we have two stay cables production lines and two suspension cables production lines. Our stay cable production lines could produce stay cables for cable-stayed bridge with main span of up to 1,500m while our suspension cable production lines could produce suspension cables with main span of up to 3,300m. Accordingly, our production lines are equipped to manufacture the largest super-long-span bridge in the world pursuant to the latest bridge design under the most recent technological standards.

For our Prestressed Materials Business, we have two production facilities equipped with production lines producing prestressed materials of up to 390,000 tonnes per year and our production facilities are situated near the Yangtze River which facilitates the transport of bulky prestressed materials to our customers. Our advanced equipment produces high quality and innovative prestressed products which are recognised as high technological products by provincial science and technology bureaus. In addition, we are also equipped with advance testing equipment. For each construction project, specific technologies or know-how are required depending on the design and the surrounding environment of the structure. Therefore, in order to test our products, we use various simulations, such as adverse weather testing and vibration resistance testing in order to test the adaptability of our products in different adverse environmental conditions. We have dedicated laboratories and customised equipment for these testings, and since our laboratories are government recognised, smaller scale industry participants often conduct their testing at our laboratories.

Our products produced in our Cable Business and Prestressed Materials Business are ultimately used for construction of bridges, highways and other infrastructure projects, and therefore safety and reliability are of paramount importance to our customers. In view of this, having a high product quality standard is crucial as part of our business operations. We have established quality management systems designed and certified by the ISO 9001:2008 standards, and as at 30 June 2018, we had a quality control team of 17 employees exercising stringent quality control at every stage of our production process, from procurement to final delivery. We believe our commitment in stringent product quality control has earned us high recognition among our customers and a good reputation.

We believe that all these capabilities represent significant competitive advantages over our competitors.

We have a strong customer base and close relationship with key suppliers

We have developed strong relationship with our existing customer base since our establishment. With respect to the Prestressed Materials Business, we have a long-standing relationship with our top three customers for over three years. For our Cable Business, we maintain good relationship with our existing and potential customers by proactively participating and providing relevant support, technology testing or suggestions at the early stage of the design of the bridges, thus increasing our chances in winning bids for new bridge cable projects and for cable maintenance or replacement projects. Furthermore, we have extended our relationship with our customers for future collaboration in testing and research after project completions. Due to our sound track record and solid market position, we are often invited by our customers to participate in potential bids. We believe our reputation gives us competitive advantages in securing new projects.

For our key suppliers, we have developed strong relationship of seven years and four years with our two key suppliers, Shagang Group and Supplier A, respectively which supply high carbon steel wire rods to us. Our Directors believe that the strong relationship with these key suppliers can ensure a reliable supply of key raw materials, and more competitive pricing.

We have an experienced management team and technical staff with prominent industry experience

We have an experienced management team and technical staff with in-depth industry knowledge. Dr. Tang, our chairman of the Board, has extensive experience in management and has more than 14 years of experience in the prestressed materials industry and more than 8 years of experience on the bridge cable industry. In addition, the majority of our senior management have been with us since we started our business operations and have extensive experience in the bridge cable and prestressed materials industry. Many of our technical staff also possess higher education qualifications in relevant fields. Under the leadership of our visionary senior management, the team has built a proven track record for our business and we have successfully built trust and maintained a stable relationship with our customers. Due to the extensive experience and reputation in the industry of our senior management, they were appointed as industry experts for various bridge inspections, helping devise industry standards and assisting in the drafting of relevant regulations.

We believe our experienced Directors and senior management, by identifying new business opportunities and developing effective business strategies, are key factors to our success. For more information on the experience and background of our senior management, please refer to the section headed "Directors, Senior Management and Employees" in this **[REDACTED]**.

BUSINESS STRATEGIES

We aim to strengthen our market position in the bridge cable manufacturing and prestressed materials markets by pursuing the following strategies:

We seek to enhance our leading market position by capturing the growing market opportunities in the fast-growing infrastructure market both in China and overseas

According to Frost & Sullivan, the infrastructure construction investment in China is expected to grow at a CAGR of 11.8% between 2018 and 2022, and at a CAGR of 5.5% for the transportation segment. This estimated growth in China was largely driven by the government's 13th Five Year Plan (the "**13th Five Year Plan**") approved in January 2017, and the "Belt and Road" Initiative introduced in 2015.

With the 13th Five Year Plan in place, it is expected within a five-year period, substantial resources will be deployed in infrastructure construction across China and in particular the Western region of China. It was proposed that the economic competitiveness within the Western region in China should be accelerated and raised, and the enhancement of infrastructure system, such as the transportation network, the electricity system and the telecommunications network would be key areas to facilitate this target. As a result, it is expected this will lead to a significant increase in the demand for construction raw materials including prestressed materials and bridge cables. Moreover, the terrain of Western region in China is mountainous and has many rivers and valleys. Due to this geographical characteristics, it is inevitable that the transportation infrastructure development will require the building of new bridges and tunnels, leading to increasing business opportunities for us. According to Frost & Sullivan, the number of super-long-span bridges is expected to grow at a CAGR of 20.8% between 2018 and 2022. Since the introduction of the 13th Five Year Plan, numerous infrastructure projects have been approved and commenced.

Under the "Belt and Road" Initiative which aims at promoting cooperation between neighbouring countries of the PRC, transportation infrastructure is named as one of the key areas of development. Since the introduction of this policy, as at September 2018, several sino-foreign infrastructure projects have commenced. Since we have a sound track record in participating in overseas project, we believe that this policy may lead us to further opportunities.

In addition, according to Frost & Sullivan, bridge cables have a limited life span and would age as time passes, it is expected there will be high demand for replacement and maintenance of bridge cables. Without proper maintenance, bridge cables may break and could endanger bridge users. As many of the large bridges in China were constructed in the 1990s, they have entered or are entering into a phase for bridge cable replacement. Please refer to the section headed "Industry Overview — Market Analysis for the Bridge Cable and Prestressed Materials Industry — Key Market Drivers and Trends" in this **[REDACTED]** for more details.

We plan to continue to upgrade and increase our production facilities and enhance our operational effectiveness

We strive to continue to upgrade and increase our production capabilities in order to cope with the rising demand for our products and product requirements.

In relation to the Prestressed Materials Business, we plan to expand our production capacity for galvanised prestressed products with an additional designed capacity of 10,000 tonnes per year, which is expected to be completed by June 2020. Due to the growing market demand for prestressed materials, our production of galvanised prestressed wires for bridge cables has reached a high utilisation in the first half of 2018 and is expected to grow in the near future. The increase in production capacity can also help to ensure a stable supply of raw materials to our Cable Business in the event of a shortage of supplies of raw materials from our existing suppliers. In addition, as the prestressed materials market develops, the application of our prestressed products have expanded and the product quality has also been raised, especially in stress level and corrosion tolerance. As a result, it is crucial for us to expand our production capacity and upgrade our equipment in order to maintain our competitiveness in the market.

Please refer to the sections headed "Business — Our Production — Expansion plan in the Prestressed Materials Business" and "Future Plans and **[REDACTED]**" for details of our future plans in relation to our production facilities.

We will continue to invest in advancing our research and development capabilities

As our products are used for infrastructure construction, our customers require stringent product quality standards in relation to safety, reliability and durability. For our Cable Business, each of our bridge cable projects requires specific technology or know-how to suit different geographical needs, appearance requirements, and therefore it will be necessary for us to upgrade our technologies and know-how in order to adapt to the market changes and respond to customers' needs. We seek to be forward-looking and develop products that are innovative, practical, cost-effective while incorporating the latest technology.

Since we possess strong technological capabilities within the prestressed materials market and the bridge cable manufacturing industries, we seek to continue to strengthen our capabilities and make significant investment in these areas. We aim to deploy more resources in the area of research and development, including expanding our research centre and laboratory at our Xitang production site by purchasing additional research equipment and upgrading existing equipment, expanding our research and development team by hiring approximately 33 additional staff with relevant experience in the application of prestressed raw materials for bridge cables and upgrading our research and development equipment.

We seek to enhance our competitiveness by exploring business acquisition opportunities in the industry and expand our overseas customer base

We intend to pursue potential opportunities to acquire suitable businesses in order to strengthen our competitiveness and market position. We will consider various factors including costs of acquisition, location, customer base, market share, technical know-how, production capacity, establishment of such target and the synergies expected to be generated. As at the Latest Practicable Date, we had not identified any merger or acquisition target. We believe such acquisition will enable us to expand to a broader production capacity and thus gaining from economies of scale. In addition, by pursuing suitable acquisition opportunities, we intend to seize the significant growth potential and increase our market share.

In addition, we plan to continue to deploy resources to expand to overseas market. For our Prestressed Materials Business, we aim to increase our export sales to countries such as Africa. For our Cable Business, during the Track Record Period, our overseas customers were mainly situated in the Asian countries. We will seek to explore more opportunities into countries globally by proactively tracking potential tender and maintaining good relationship with international industry players. In 2018, we have successfully secured new overseas projects in Turkey and Qatar, which extended our global reach.

OUR BUSINESS

We operate two business segments, the Cable Business and the Prestressed Materials Business.

Cable Business

Overview

We operate the Cable Business mainly through our subsidiaries, Shanghai Pujiang and Zhejiang Pujiang, and under the brand of "Pujiang Cable (浦江纜索)". We focus on the manufacture and supply of cables for construction of bridges, with strong technical know-how in super-long-span suspension bridges and super-long-span cable-stayed bridges. In addition, we also manufacture a relatively small amount of cables for constructing various architectural structures such as stadiums and exhibition centres. During the Track Record Period, we also derived a small portion of our revenue from the provision of bridge cable installation services.

Due to the length of a long-span bridge, bridge cables play a critical role as the main load-bearing structure to support the load of the bridge. As the main span of a bridge gets longer, the difficulty in its design and the technological requirements for bridge cables increases considerably as bridge cable manufacturers need to consider the overall load-bearing structure and the load-bearing capacity of the bridge cable. Please refer to the section "Industry Overview — The Bridge Construction Industry In China — Types of bridges" for detailed description of the types of bridges.

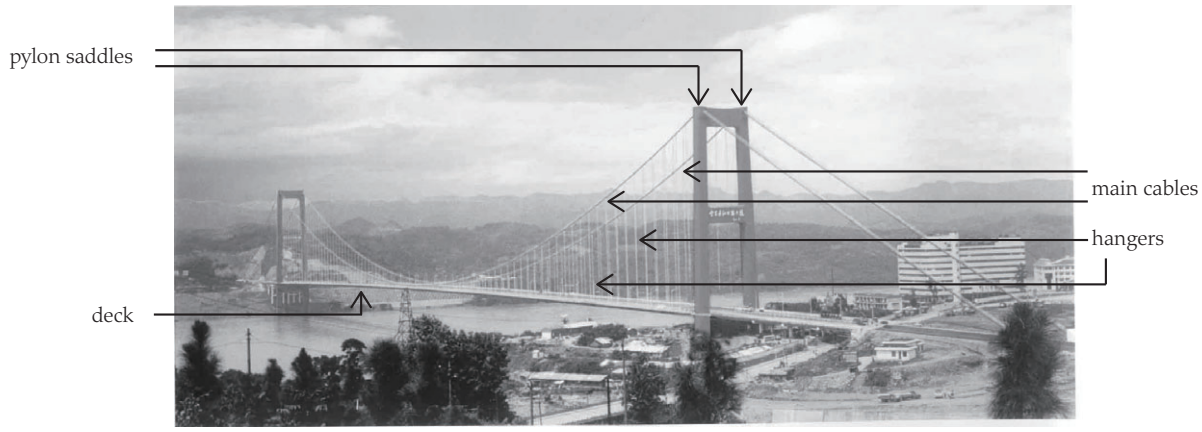
Bridge Cables

Our products manufactured in our Cable Business are mainly used for constructing two types of bridges, namely suspension bridge and cable-stayed bridge:

- **Suspension bridge**

For a suspension bridge, the main cables (主纜) and hangers are key load-bearing components and they together transmit the load of the deck to the ground.

We manufacture and supply (i) suspension cables (索股) for the fabrication of main cables and (ii) hangers for suspension bridges. Below is a simple illustration of the cables used for a suspension bridge.

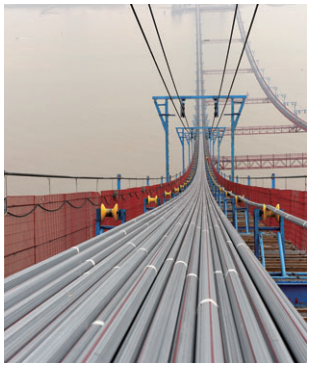


Simple illustration of a suspension bridge

For super-long-span suspension bridges, two different techniques can be used for producing main cables, namely PPWS and AS methods. Under PPWS method, main cables are fabricated at the bridge construction site using suspension cables pre-fabricated at the bridge cable production facility, and under AS method, main cables are fabricated on-site using galvanised steel wires. Please refer to the section headed "Glossary of Technical Terms" for details of the PPWS and AS methods.

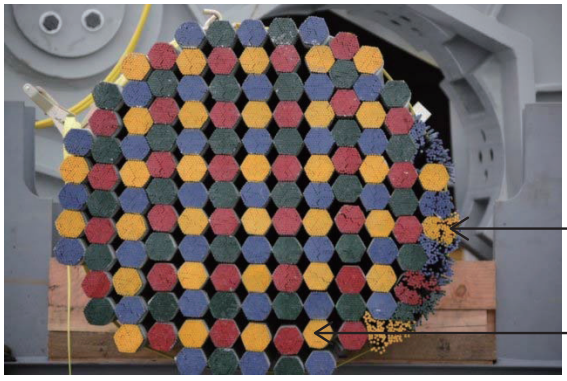
Our suspension cables are generally formed by combining 61, 91, 127 or 169 galvanised steel wires. The suspension cables are pre-fabricated at our production facility and we produce suspension cables in accordance with the specifications of the bridge design. Suspension cables are then delivered to bridge construction sites where they are installed by being hauled over pylon saddles to form main cables.

Coiled suspension cables at our Xitang production facility ready for packaging and delivery



Installation at the construction site

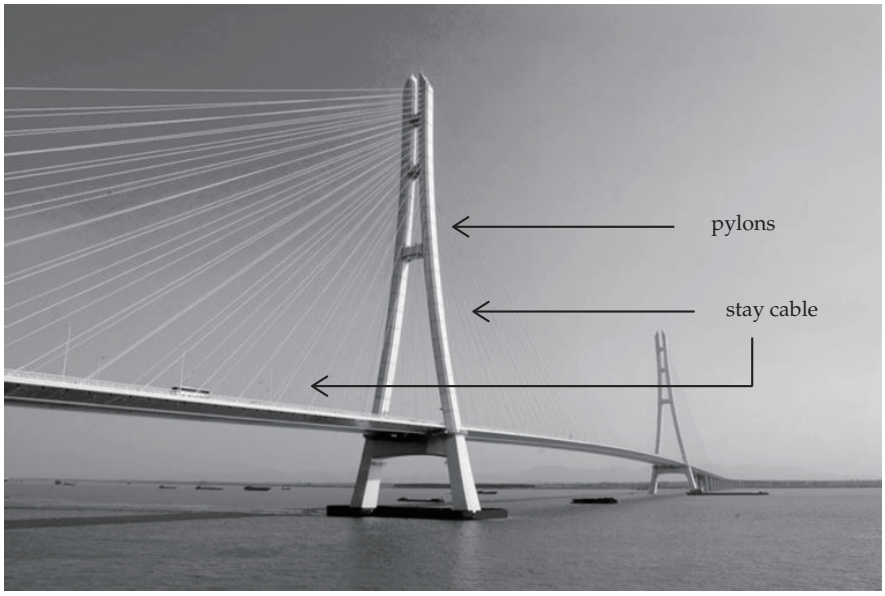
Suspension cables being fabricated at our Xitang production facility



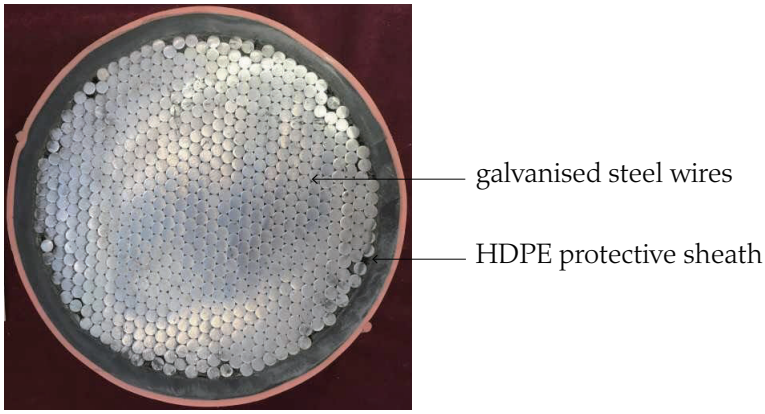
Cross section of a main cable using suspension cable produced by us

- **Cable-stayed bridge**

For a cable-stayed bridge, stay cables are used to support the load of the deck by directly connecting the pylons and the deck. We mainly produce stay cables for cable-stayed bridges. Stay cables are generally made from galvanised steel wires, fabricated and protected by HDPE sheath. Below is a simple illustration of the cables used for a cable-stayed bridge:



Simple illustration of a cable-stayed bridge



Cross section of a typical stay cable

Apart from cable-stayed bridges, we also manufacture a small amount of stay cables for arch bridges and the construction of certain architectural structures.

Bridge Cable Installation Service

Our Cable Business also derives a small proportion of revenue through the provision of bridge cable installation services to customers which requires installation, repair and maintenance of bridge cables in China. We typically engage subcontractors to assist in the installation or maintenance service while we supervise and provide advice during the entire process. Our subcontractors are selected from an approved list of contractors. We typically select our subcontractors from a list of approved subcontractors where we conduct an annual assessment on their background, service quality and scale. Our typical subcontracting contracts contain terms specifying the description of the services, contract price, payment terms and service period.

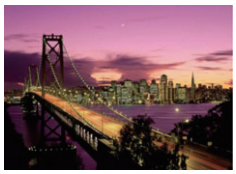
The following table sets out our revenue generated by project type and their percentage of our total revenue for our Cable Business for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(unaudited)			
Project type										
Suspension bridge	147,965	52.3	125,988	41.5	313,798	73.7	119,060	89.7	82,897	43.8
Cable stayed bridge	128,848	45.6	167,957	55.4	92,387	21.7	10,738	8.1	101,638	53.6
Others[(1)]	5,910	2.1	9,330	3.1	19,618	4.6	2,921	2.2	4,922	2.6
Total revenue	282,723	100.0	303,275	100.0	425,803	100.0	132,719	100.0	189,457	100.0

Note:

(1) Others include the provision of bridge cable installation services and sale of scrap materials.

Major projects participated by us (ranked by the length of the main span)

Project		Location	Main span *(m.)*	Description	Year of completion
Suspension bridges					
	1915 Canakkale Bridge *(illustrative picture)*	Canakkale, Turkey	2,023	• Largest suspension bridge in the world upon completion	Under construction
	Humen No. 2 Bridge 虎門二橋	Guangdong Province, China	Nizhou section: 1,688 Dasha section: 1,200	• Largest suspension bridge in China upon completion	2018
	Xihoumen Bridge 西堠門大橋	Zhejiang Province, China	1,650	• Largest suspension bridge in China as at the Latest Practicable Date	2009
	Egongyan Railway Bridge 鵝公岩軌道交通專用橋	Chongqing, China	600	• Largest self-anchored suspension bridge in the world upon completion	Under construction
	Hwayang Bridge *(illustrative picture)*	Yeosu, Republic of Korea	500	• One of the largest cable-stayed bridges in Korea	Under construction
	Oakland Bay Bridge 奧克蘭海灣橋	California, U.S.	385	• Largest self-anchored suspension bridge in the world in 2013	2013
Cable-stayed bridges					
	Shanghai Minpu Bridge 上海閔浦大橋	Shanghai, China	708	• Largest double deck highway bridge in China	2009
	Shanghai Nanpu Bridge 南浦大橋	Shanghai, China	423	• First Chinese-made super-long-span cable-stayed bridge	1991

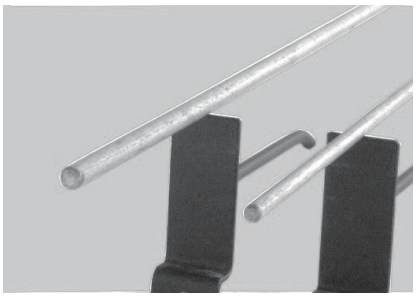
Project	Location	Year of completion
Other structures		
Education City Stadium, one of the stadiums for World Cup 2022	Qatar	Under construction
Shanghai Pudong International Airport	Shanghai, China	1999
Shanghai Tower 上海中心大厦	Shanghai, China	2016
Axial of the Shanghai Expo 上海世博軸	Shanghai, China	2008

Prestressed Materials Business

We operate the Prestressed Materials Business through our operating subsidiaries, Ossen Innovation Materials and Ossen (Jiujiang) under the brand of "Ossen (奥盛)". We have three main types of products produced in our Prestressed Materials Business:

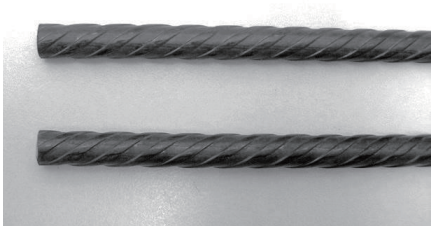
1. Rare earth coated prestressed products

Products	Product details	Main application
Rare earth coated wires	• Processed plain surface wires that are coated with rare earth layer	• Concrete structure



2. Plain surface prestressed products

Products	Product details	Main application
Plain surface PC wires	• Prestressed steel wires	• Railway sleepers • Pre-cast beams • Tunnels • High speed rail or underground track board
Plain surface PC strands	• Individual plain surface PC wires that are twisted into strands	• Highway • High speed railway • High speed railway sleepers • Nuclear power stations • Bridge • Oil drilling platforms
Unbonded plain surface PC strands	• Plain surface strands coated with grease and protected with HDPE sheath	• Oil drilling platforms • Ground anchoring

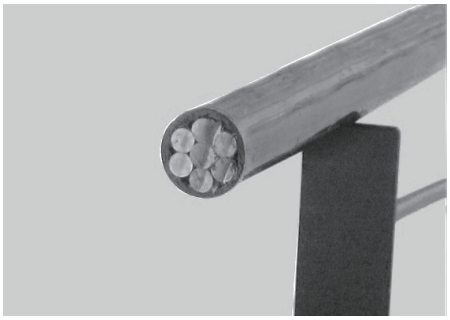


Helical plain surface PC wire

Indented plain surface PC wire

3. Galvanised prestressed products

Products	Product details	Main application
Galvanised steel wires for bridge cables	• Processed plain surface wires that are coated with zinc or other metallic layer specially designed for bridge cables	• Bridge cables and buildings that require high load-bearing, such as suspension bridges or cable-stayed bridges
Galvanised steel strands for bridge cables	• Processed plain surface wires that are coated with zinc or other metallic layer and twisted into strands specially designed for its application	• Bridges
Unbonded galvanised PC strands	• Processed plain surface wires that are coated with zinc or other metallic layer and twisted into strands	• Oil drilling platforms • High speed railway



Unbonded galvanised PC strand

Galvanised steel strands for bridge cables

The following table sets out our revenue generated and their percentage of our total revenue for our Prestressed Materials Business for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000* (unaudited)	*% of revenue*	*RMB'000*	*% of revenue*
Products										
Rare earth coated prestressed products	532,394	72.3	674,242	86.6	760,922	85.3	312,482	87.4	371,510	86.8
Plain surface prestressed products	99,036	13.5	45,461	5.8	46,171	5.2	25,806	7.2	18,656	4.4
Galvanised prestressed products	62,061	8.4	49,170	6.3	72,476	8.1	16,066	4.5	37,153	8.7
Others[(1)]	42,388	5.8	9,739	1.3	12,321	1.4	3,170	0.9	481	0.1
Total revenue	735,879	100.0	778,612	100.0	891,890	100.0	357,524	100.0	427,800	100.0

Note:

(1) Others include the sale of unused raw materials and ad-hoc wire processing services.

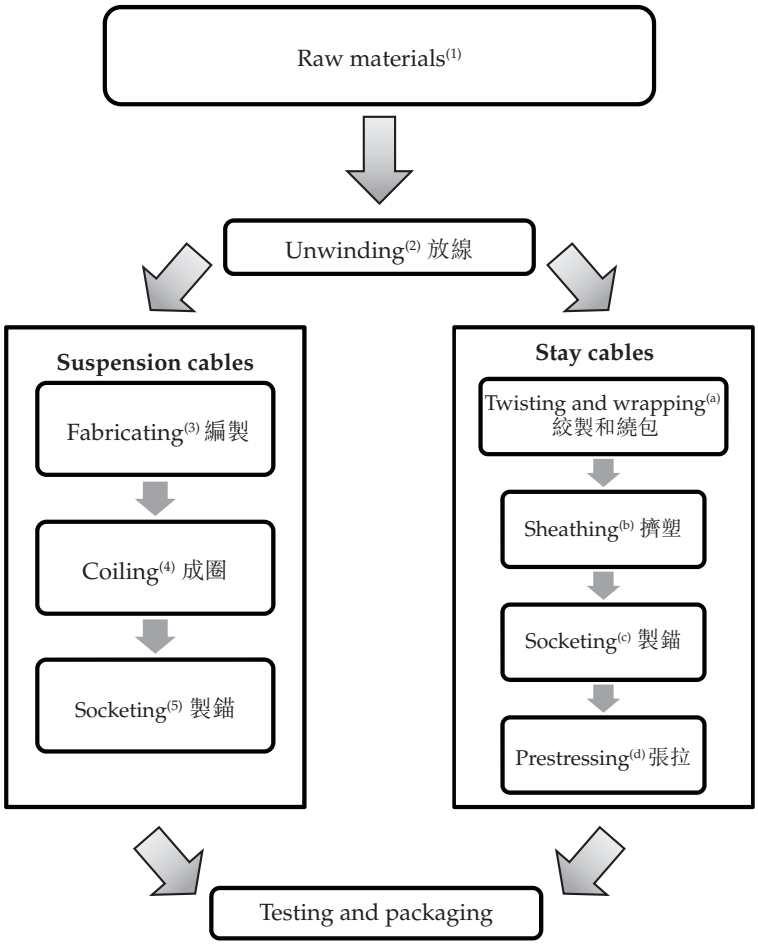
OUR PRODUCTION

Production process

For both of our business segments, we generally manufacture products after receiving purchase orders from the customer. All our products are made to orders and are produced in accordance with product specifications as stated in the contracts. All our production processes are conducted at our production facilities.

Cable Business

The following chart illustrates the major production process for suspension cables and stay cables:



Notes :

(1) **Raw materials:** galvanised steel wires are mainly used as raw materials for suspension cables and stay cables.

(2) **Unwinding:** wires are usually stored in rollers and at this process, coiled galvanised steel wires are unwound, arranged and made ready for processing.

Suspension cables

(3) **Fabricating:** the unwound galvanised steel wires are fabricated and cut in fabricating machines to form suspension cables. This process helps to customise the suspension cable for use on individual bridges.

(4) **Coiling:** suspension cables are then coiled into big rollers.

(5) **Socketing :** anchorages are installed on both ends of the cables.

Stay cables

(a) **Twisting and wrapping:** galvanised steel wires are twisted, arranged and bound.

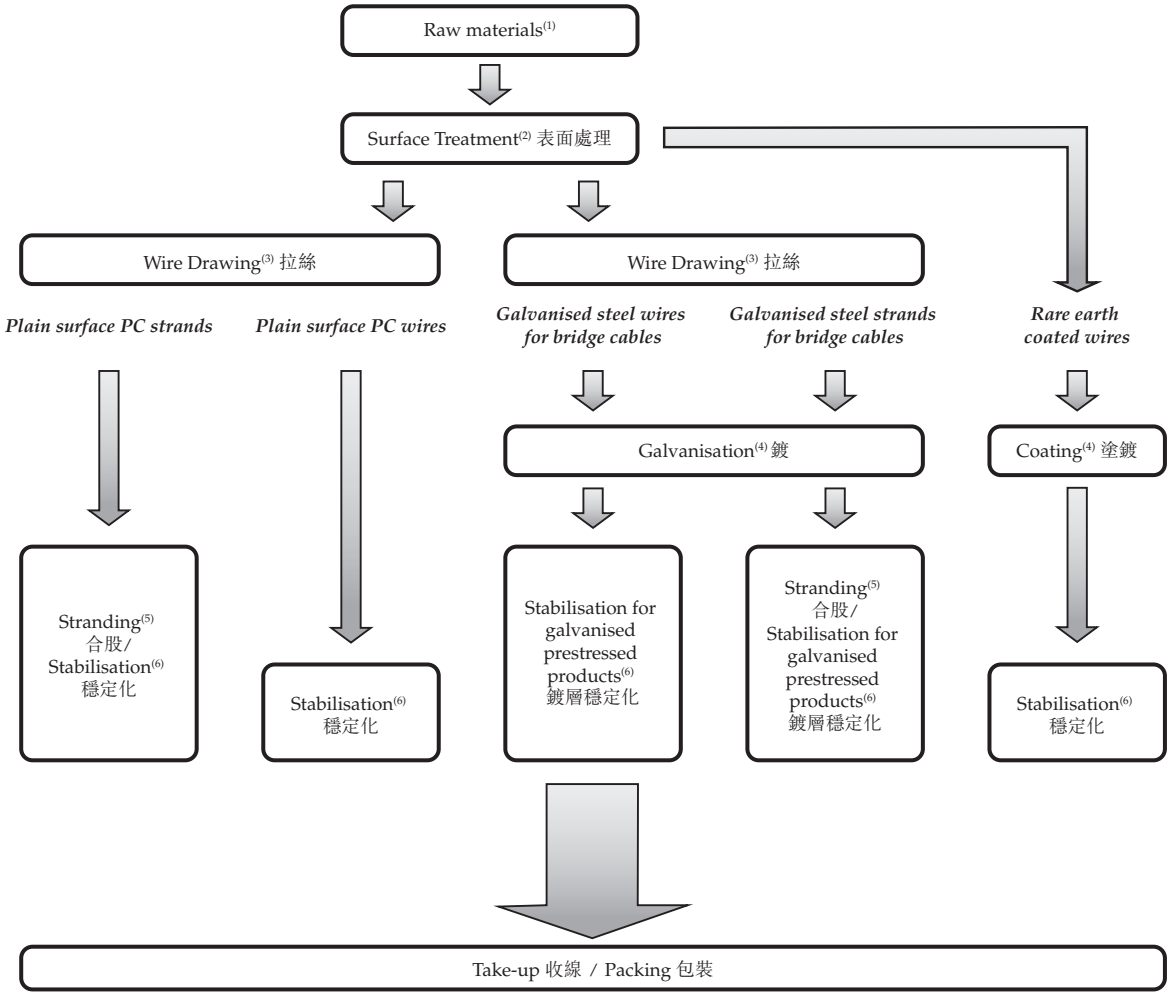
(b) **Sheathing:** semi-finished stay cables are protected by HDPE sheath layers, providing protection against external agents to stay cables.

(c) **Socketing:** anchorages are installed on both ends of the cables.

(d) **Prestressing:** stay cables are placed in the prestressing line to apply further pressure and tension.

Prestressed Materials Business

The following chart illustrates the major production process for our Prestressed Materials Business:



Notes:

(1) **Raw materials:** high carbon wire steel rods are mainly used as raw materials for our Prestressed Materials Business.

(2) **Surface treatment:** cleaning and descaling were performed chemically, using abrasive methods aimed at removing dirt and mill scale. Depending on the specifications of the final products, surface treatment process may include acid pickling, rinsing, phosphating and cleaning. This process lubricates the wire rods and facilitates later production processes.

(3) **Wire drawing:** following surface treatment, wire rods are drawn into wires through the wire drawing machine to trim their size in accordance with customer 's product specifications.

(4) **Coating or galvanising:** coating are applied on the wires under specific heat condition to form coated or galvanised wires.

(5) **Stranding:** during the stranding process, wires are wound into a strand by a stranding machine.

(6) **Stabilisation:** wires or strands are stabilised by removing residual mechanical stresses through thermal and mechanical treatments where the strands are straightened, heated, cooled and ultimately tension will be applied to the final products at this stage. Upon stabilisation, the final products will be prestressed. The extent of the tension will determine the usage of strands.

Our Production Facilities

We conduct all of our manufacturing operations at our production facilities in China. We manufacture bridge cables under the brand of "Pujiang Cable (浦江纜索)" at our main Xitang facility; while we manufacture our prestressed products under the brand of "Ossen (奥盛)" at our Maanshan and Jiujiang facilities.

The following table sets out the details of our three main production facilities:

Location	Main products manufactured	Brand
Xitang, Zhejiang Province	Bridge cables	Pujiang Cable (浦江纜索)
Maanshan, Anhui Province	Plain surface, rare earth coated prestressed products	Ossen (奥盛)
Jiujiang, Jiangxi Province	Plain surface, rare earth coated prestressed products and galvanised prestressed products	Ossen (奥盛)

Please refer to the section headed "Business — Properties" in this **[REDACTED]** for further details.

We own manufacturing, testing and quality control equipment in order to enhance our production efficiency.

Based on our experience, the estimated useful life for our principal equipment for both of our business segments is expected to range from 10 years to 20 years with proper maintenance and periodic upgrades. We regularly perform checks and carry out repair and maintenance work on our machinery and equipment. During the Track Record Period, we had not experienced any unexpected material stoppage of operations as a result of a failure of our machinery.

Apart from the additions of machinery each year, our expenses on repair and maintenance for the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, were RMB0.8 million, RMB0.9 million RMB1.1 million and RMB0.7 million, respectively.

The following table sets out a summary of our principal equipment used to produce our products as at 30 June 2018:

Cable Business

For stay-cabled bridge

Principal equipment	**Location**	**No. of machines**	**Expected average residual life** *(years)*
Stranding line (絞制生產線)	Jiaxing, Zhejiang Province	2	12
Cable sheathing line (擠包生產線)	Jiaxing, Zhejiang Province	2	12
Socketing units (制錨機組)	Jiaxing, Zhejiang Province	2	12
Pre-tensioning line (張拉生產線)	Jiaxing, Zhejiang Province	2	12
For suspension bridge			
Pay-off units (放絲機組)	Jiaxing, Zhejiang Province	2	12
Combining & forming units (成型機組)	Jiaxing, Zhejiang Province	2	12
Caterpillar hauling system (牽引系統)	Jiaxing, Zhejiang Province	2	12
Banding units (繞包機組)	Jiaxing, Zhejiang Province	2	12
Coiling system (收卷機組)	Jiaxing, Zhejiang Province	2	12
120 mt gantry crane (120噸龍門吊機)	Jiaxing, Zhejiang Province	1	10

Prestressed Materials Business

Principal equipment	**Location**	**No. of machines**	**Expected average residual life** *(years)*
Drawing machine (拉絲機)	Maanshan, Anhui Province	4	9
Pre-stressed stranding line (合股機)	Maanshan, Anhui Province	2	9
Coating production line (塗鍍生產線)	Maanshan, Anhui Province	1	10
Drawing machine (拉絲機)	Jiujiang, Jiangxi Province	3	8
Pre-stressed stranding line (合股機)	Jiujiang, Jiangxi Province	1	8
Galvanisation machine (鍍鋅機組)	Jiujiang, Jiangxi Province	1	10
Galvanised pre-stressed wire stabilisation (鍍鋅鋼絲穩定化生產線)	Jiujiang, Jiangxi Province	2	8
Coating production line (塗鍍生產線)	Jiujiang, Jiangxi Province	1	10

The following table sets out the production capacity, actual production volume and utilisation rate of our production facilities for the periods indicated based on the production of standardised product units:

	Year ended 31 December									Six months ended 30 June		
	2015			2016			2017			2018		
Business segment	Production capacity[1] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)	Production capacity[1] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)	Production capacity[1] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)	Production capacity[1] (tonnes)	Actual production volume (tonnes)	Utilisation rate[2] (%)
Cable Business	40,000	22,718	56.8	40,000	23,677	59.2	40,000	39,443	98.6	20,000	16,177	80.9
Prestressed Materials Business												
– plain surface prestressed products[3]	91,000	20,666	22.7	91,000	9,255	10.2	91,000	10,796	11.9	45,500	3,404	7.5
– rare earth coated prestressed products[4]	269,000	168,543	62.7	269,000	249,397	92.7	269,000	213,628	79.4	134,500	83,509	62.1
– galvanised prestressed products[5]	30,000	11,480	38.3	30,000	12,243	40.8	30,000	10,903	36.3	15,000	9,704	64.7

Notes:

(1) Production capacity for our Cable Business is determined on the basis of the optimal production speed of various production machines, number of working days per calendar year, taking into account staff holidays and public holidays and maintenance schedules.

(2) Utilisation rate is calculated by dividing actual production volume by production capacity for the relevant year/period.

(3) The production capacity is limited at the "wire drawing" stage of production.

(4) The production capacity is limited at the "coating" stage of production.

(5) The production capacity is limited at the "stabilisation" stage of production because we also purchased semi-finished galvanised prestressed products for further processing under this stage. The annual production capacity at the "galvanisation" stage is limited to only 10,000 tonnes per year.

During the Track Record Period, there were no material changes in our production capacity.

Cable Business

The utilisation rate for our Cable Business has increased over the Track Record Period, from 56.8% in 2015 to 80.9% for the six months ended 30 June 2018. This increase was mainly due to the increase in our cable-stayed bridge projects and the increasing sales volume of our bridge cables.

Prestressed Materials Business

For our plain surface prestressed products, our utilisation rate was low due to low demand for our plain surface prestressed products.

For our rare earth coated prestressed products, our utilisation rate fluctuated during the Track Record Period. In 2016, the utilisation rate increased from 62.7% to 92.7% due to an increase in sales volume of rare earth coated prestresseed products. Although the utilisation rate dropped to 79.4% in 2017, the utilisation rate remained strong. For the first half of 2018, the utilisation rate decreased to 62.1% due to the seasonal effect discussed below.

For our galvanised prestressed products, our utilisation rate increased from 38.3% in 2015 to 64.7% in first half of 2018. The increase in utilisation rate was due to the increase in infrastructure construction investment in China which led to greater demand for such products. The utilisation rate for the six months ended 30 June 2018 was generally lower primarily due to the Chinese New Year holidays around February and the cold weather in the Northern region of China during winter as construction work generally slows down during the first quarter. As at end of October 2018, the utilisation rate for our galvanised prestressed products exceeded 80% and it is expected that the utilisation rate would continue to grow and reach over 80% for the year ended 31 December 2018.

Since July 2018, we experienced a power interruption for part of our galvanisation production line, rendering certain equipment inoperable. The affected equipment is used for the "galvanisation" stage for our galvanised prestressed products. The power supply is in the process of being repaired and the affected equipment is expected to be restored and operational before the end of 2018. During the Track Record Period, contribution from sales of galvanised prestressed products ranged from 3.3% to 6.0% of our total revenue. In addition, our sales of galvanised prestressed products have not been adversely affected from the power interruption as we instead purchased a greater amount of semi-finished galvanised prestressed materials from our suppliers and further processed them through the "stabilisation" stage to produce our final products. Please refer to the section headed "Business — Our Production — Production process — Prestressed Materials Business" for an illustration of our production process. Our Directors confirm that the power interruption did not and is not expected to have a material adverse impact on our business.

Expansion plan in the Prestressed Materials Business

As part of the business strategies of the Group and considering our existing production capacity for our galvanised prestressed products, the Directors intend to expand the production capacity for the production of galvanised prestressed products after **[REDACTED]**. This new production line is expected to have a designed capacity of 10,000 tonnes per year and the construction of this extended production line is expected to be completed by June 2020. Please refer to the section headed "Future Plans and **[REDACTED]**" for details on the expansion plan.

The Directors are of the view that the expansion plan is in the interest of our Group after taking into consideration the current operation performance of the Prestressed Materials Business and the following factors:

Favourable market outlook: According to Frost & Sullivan, the total estimated sales value of prestressed materials business is expected to grow from 2018 to 2022 at a CAGR of 13.4%, and the total investment in fixed assets of infrastructure construction in China is forecasted to grow at a CAGR of 11.8% between 2018 and 2022. Given the positive market outlook, a high demand for prestressed materials is expected. Please refer to the section headed "Industry Overview — Market Analysis for the Bridge Cable and Prestressed Materials Industry — Key Market Drivers and Trends — Key market drivers and trends for the prestressed materials industry" for details of the prestressed materials industry. In addition, as our galvanised prestressed products can be used as raw materials for bridge cables, the expected continuous growth in the number of super-long-span bridges, with a CAGR of 20.8% between 2018 and 2021, will also contribute to the increasing demand for galvanised prestressed products.

Insufficient capacity: We currently rely on a single galvanisation machine with an annual production capacity of 10,000 tonnes. In addition, due to the current restraints on our production machinery taking into account of optimal production speeds, our production line for galvanised prestressed products has nearly reached the maximum production capacity, reaching a utilisation rate of over 80% for the ten months ended 31 October 2018. Considering the favourable market outlook, we expect there will be an increasing demand for our galvanised prestressed products and therefore we are in need of additional production capacity to cope with the demand.

Alternative supplies for our Cable Business: During the Track Record Period, our Cable Business mainly purchased galvanised prestressed wires as raw materials for the production of bridge cables from independent third party suppliers. We currently plan to continue to purchase from our existing suppliers in the near future. We foresee the increasing production capacity will provide alternative supplies for our Cable Business and could also provide a stable supply of raw materials for its operations in case of a shortage of supplies from our Cable Business's existing suppliers. During the first half of 2018, our Cable Business purchased galvanised prestressed products amounting to RMB17.9 million from our Prestressed Materials Business as our existing suppliers had insufficient production capacity to accommodate our orders.

Repair and Maintenance of our production lines

We develop regular maintenance plans for our production facilities and perform regular maintenance on our production equipment. Major maintenance and repair work of our production equipment is generally conducted on a monthly basis. During the Track Record Period, we had not experienced any unexpected material stoppage of operations as a result of a failure of our machinery.

PROCUREMENT

We use various raw materials throughout our manufacturing process and we source the majority of our raw materials in China. Our principal raw materials include galvanised steel wires for our Cable Business, and high carbon steel wire rods for our Prestressed Materials Business. The cost of raw materials accounted for 93.9%, 95.0% 95.8% and 95.8% of our total cost of sales, respectively, for the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018.

Selection of suppliers

Cable Business

Once our production department devised its production schedule based on the delivery schedule of our customer orders, our procurement department will start its suppliers selection.

We maintain a list of approved suppliers from which we source each type of our raw materials. This enables us to procure raw materials from alternative suppliers when an existing supplier has a shortage or delay in the supply, or in the event that a supplier fails to deliver raw materials according to our procurement plan or fails to meet our quality. This also allows us to reduce our reliance on any single supplier. However, for certain projects, our customer may require us to purchase raw material from designated suppliers.

As the quality of our raw materials is crucial in determining the quality of our final product, we place great emphasis on ensuring the standard and quality of our raw materials by conducting assessment on our major suppliers annually. We select our suppliers by assessing criteria such as the quality of materials supplied, the duration of the supplier's business relationship with us, pricing, punctuality and response time to orders placed by us. To ensure the standard of our suppliers, we have developed internal manuals and procedures for selecting suppliers and assessing the quality of our raw materials.

Prestressed Materials Business

We purchase our raw materials in accordance with our procurement schedule based on the business demand forecasted by our customers. We select our suppliers by assessing criteria such as the quality of materials supplied, the duration of the supplier's business relationship with us, pricing, punctuality and response time to orders placed by us. Since our customers often require high product quality and there are only a few suppliers in the market in proximity that have the required production capabilities, we mainly purchased high carbon steel wire rods for our Prestressed Materials Business from our major suppliers during the Track Record Period.

Our suppliers contracts

For both of our Cable Business and Prestressed Materials Business, we do not maintain long-term supply agreements. However, we believe we will be able to maintain stable relationship with our major suppliers due to our long-established business relationship with them. We also reduce possible supply interruptions by sourcing from various suppliers. During the Track Record Period, we did not encounter any difficulty in procurement nor experience any production disruption due to shortage of raw materials. Our purchase contracts generally contain a fixed unit price, quality standard or technological requirements, delivery schedule, place of delivery, packaging requirements, etc. Our suppliers generally grant us credit terms of up to 90 days and our purchases are generally settled by cash or bank acceptance bills.

Cable Business

For our Cable Business, we typically enter into raw material supply contracts on a project-by-project basis. Our suppliers for the Cable Business generally require us to make a down payment of approximately 80% out of the total contract value upon signing the supplier contracts and the remaining balance is payable upon receipt of delivery.

Prestressed Materials Business

For our Prestressed Materials Business, we enter into supply contracts based on our procurement plan. Our suppliers for the Prestressed Materials Business generally require us to make immediate payment when we make our purchase orders or upon acceptance of delivery, which may be adjusted on a case-by-case basis. In order to help secure favourable treatment in terms of pricing and supply of raw materials, we typically provide prepayments of up to 80% of our estimated 12-months procurement volume on a rolling-basis, which is a common industry norm as confirmed by Frost & Sullivan. All our purchases are generally settled by cash or bank acceptance bills.

Major suppliers

For the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, our purchases from our five largest suppliers accounted for 76.6%, 90.1%, 91.5% and 99.7% of our total purchases, respectively. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — We procure a significant portion of our raw materials from our five largest suppliers". All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates, nor Shareholders who own more than 5% of the issued share capital of our Company, has any interest in any of our five largest suppliers during the Track Record Period.

Jiangsu Shagang Supplies Trading Co. Ltd, a subsidiary of Jiangsu Shagang Group Co. Ltd. ("**Shagang**") has been the largest supplier to our Group during the Track Record Period and one of our customers in 2015. For the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, our purchases from our single largest supplier amounted for 27.3%, 47.1%, 51.8% and 63.3% of our total purchases, respectively, and our purchases from Shagang and its affiliates ("**Shagang Group**") accounted for 50.9%, 48.8%, 51.8% and 63.3% of our total purchases, respectively. Please refer to the section headed "Business — Procurement — Relationship with Shagang Group, our largest supplier" for details of our relationship with the Shagang Group.

For the year ended 31 December 2015, our total purchases from Shagang Group amounted to RMB419.9 million and accounted for 50.9% of our Group's purchases. Our Prestressed Materials Business mainly purchased high carbon steel wire rods from the Shagang Group as raw materials. For the year ended 31 December 2015, we sold prestressed products produced by our Prestressed Materials Business to Shagang Group when they encountered insufficient production capacity to fulfil their orders, and our sales to Shagang Group amounted to RMB49.5 million and accounted for 4.9% of our Group's revenue in 2015.

In 2017, one of our major suppliers of prestressed materials for our Cable Business, Supplier D also purchased prestressed materials from our Prestressed Materials Business when they encountered insufficient production capacity to fulfil their orders. For the year ended 31 December 2017, our sales of prestressed materials to Supplier D amounted to RMB1.52 million, which accounted for 0.1% of our total sales. Our Directors confirmed that, during the Track Record Period, none of the products we purchased from Shagang Group and Supplier D was used in the products we sold to Shagang Group and Supplier D respectively.

Our Directors confirm that the unit cost of the products we purchased from the Shagang Group and Supplier D during the Track Record Period was in line with the prices of comparable products from our other suppliers and the unit price of our prestressed products sold to the Shagang Group and Supplier D during the Track Record Period was in line with the overall average selling price of comparable products to our other customers.

The following table sets out the profile of our five largest suppliers during the Track Record Period:

Name	The periods[4] being our five largest suppliers and approximate percentage (%) to our total purchases	Approximate year(s) of business relationships with our Group	Business segment supplied within our Group
Jiangsu Shagang Supplies Trading Co. Ltd[1] (江蘇沙鋼物資貿易有限公司)	2015: 27.3% 2016: 47.1% 2017: 51.8% January to June 2018: 63.3%	Seven	Prestressed Materials Business
Supplier A	2015: 13.7% 2016: 24.2% 2017: 15.7% January to June 2018: 20.1%	Four	Prestressed Materials Business
Supplier B	2015: 10.1% 2016: 7.9% 2017: 8.2% January to June 2018: 7.8%	Seven	Cable Business
Supplier C	2015: 8.9% 2016: 4.1% 2017: nil January to June 2018: nil	Four	Prestressed Materials Business
Supplier D[2]	2015: 5.5% 2016: 6.9% 2017: 11.4% January to June 2018: 5.8%	Seven	Cable Business
Supplier E	2015: 0.6% 2016: 1.5% 2017: 4.4% January to June 2018: nil	Seven	Cable Business
Supplier F[3]	2015: 16.7% 2016: nil 2017: nil January to June 2018: nil	Seven	Prestressed Materials Business
Supplier G	2015: nil 2016: 3.9% 2017: nil January to June 2018: 2.7%	Five	Prestressed Materials Business

Notes:

(1) During the Track Record Period, we purchased from suppliers affiliated with Shagang Group which include Jiangsu Shagang Supplies Trading Co. Ltd. and Supplier F. For the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, our purchases from them accounted for 50.9%, 48.8%, 51.8% and 63.3% of our total purchases, respectively.

(2) An affiliate of Supplier C.

(3) An affiliate of Shagang.

(4) The periods refer to the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018.

Relationship with Shagang Group, our largest supplier

Shagang is a company incorporated in the PRC in 1996. Shagang Group mainly engages in the production, sales and trading of steel raw materials such as steel bars, steel sheets, steel wires and wire rods, and it also produces prestressed raw materials. Shagang was awarded as one of the Top 500 Enterprises of China in 2017 and The World's Top 500 Enterprises in 2017.

We purchase the majority of our raw materials from Shagang Group mainly due to the following reasons:

- **Established supplier relationship with our Group and better procurement terms:** Our Group has been purchasing raw materials from Shagang Group for approximately seven years, and our Directors consider that it is a competitive, reputable and reliable raw materials supplier that provides high quality products. Due to our established business relationship, during the Track Record Period, we entered into annual framework agreement with Shagang Group pursuant to which we agreed to purchase a certain quantity of high carbon steel wire rods from them at a price to be agreed every quarter. During our business relationship with the Shagang Group over the years, we have not encountered any major procurement problems in terms of shortage, delay or pricing.

- **Accessability:** We generally purchase the majority of our raw materials from the production site of the Shagang Group situated in Zhangjiagang, Jiangsu Province, which is in close proximity to our production sites at Maanshan and Jiujiang for our Prestressed Materials Business. Further, high carbon steel wire rods are bulky raw materials and they are usually transported via cargo boat. As our production sites and the Shagang Group's production site are all situated along the Yangtze River, the location of the Shagang Group's production facility facilitates the delivery of raw materials.

- **Limited number of comparable suppliers in proximity to our production facilities:** As confirmed by Frost & Sullivan, the Shagang Group is one of the major steel raw materials suppliers including the manufacture steel wire rods within Central China and there are currently only a few sizeable manufacturers operating within this region that have the production capabilities to produce raw materials that can meet our required product quality and procurement volume.

Although we purchased the majority of our raw materials from the Shagang Group during the Track Record Period, our Directors are of the view that this will not affect the operations of our business due to the following reasons:

- **Established supplier relationship with our Group:** Our Group has maintained a good business relationship with the Shagang Group for approximately seven years. It is expected that the Shagang Group will continue its business relationship with us and our Directors are of the view that the risk of the Shagang Group terminating the supply of high carbon steel wire rods to us is remote.

- **Alternative suppliers:** As confirmed by Frost & Sullivan, there are alternative suppliers in the market which can supply comparable products, and we have maintained good business relationship with these alternative suppliers historically. Our Directors are of the view that we would be able to procure from alternative suppliers at comparable terms and quantities. During the Track Record Period, apart from procuring high carbon steel wire rods from the Shagang Group, we also purchased high carbon steel wire rods from other major suppliers, in which its operation scale is comparable to the Shagang Group. Our Directors believe that we should not have any practical difficulty in purchasing from these alternative suppliers.

Inventory Control

Our inventory consists of raw materials, work-in-progress and finished goods. Raw materials, work-in-progress and finished goods are all stored under suitable and controlled environment to maintain their quality. We have established an inventory management system that monitors each stage of the warehousing process, including managing the level of stock and conducting monthly stocktaking exercise.

Cable Business

Since all of our products are made based on confirmed customer orders and delivery schedules, we do not generally purchase or store excess raw materials in advance. We generally maintain a minimal level of finished goods in our inventory in order to fit the delivery schedule of the customers.

Prestressed Materials Business

We generally maintain an appropriate level of raw materials from time to time in order to accommodate short lead times and urgent customer requests. We also purchase our raw materials in advance and maintain a reasonable inventory level to minimise the impact on the price fluctuations of the raw materials. In order to help secure favourable treatment in terms of pricing and supply of raw materials, we typically provide prepayments of up to 80% of our estimated 12-months procurement volume on a rolling-basis, which is a common industry norm as confirmed by Frost & Sullivan. We have strict inventory control and review our inventory level from time to time in order to prevent the accumulation of excess inventory.

SALES AND MARKETING

Sales and marketing strategy

Our sales and marketing team plays an important role in promoting our products and sourcing business opportunities from our potential customers. Our sales and marketing team in both the Cable Business and Prestressed Materials Business are responsible for potential project tracking, liaising with existing and potential customers and contract negotiations. In addition, our sales teams are also responsible for providing after-sales support and follow up with any feedback received from our existing customers. We also proactively participate in industry seminars and conferences, and maintain communications with existing and potential customers. As at 30 June 2018, we had 14 staff members and ten staff members in our sales and marketing team for the Cable Business and Prestressed Materials Business, respectively.

Cable Business

Competitive bidding

We generally secure our projects through a competitive bidding process and contract negotiations.

Project Identification

We regularly conduct tracking and assessment of a potential project. Although potential customers would often invite us to participate in tenders for supplying bridge cables to their construction projects, we have designated staff to pay close attention to the publication of relevant tender notices and conduct careful screening for their potential projects. Once we identified suitable potential projects, our sales team will take the lead in preparing the tendering documents upon seeking approval from our senior management.

The preparation of the tendering documents requires the participation of our teams at different levels as we would need to consider the technical specifications required in the potential projects, our production schedule, capacity and procurement of the required raw materials.

Tendering

Our customers usually select their suppliers based on a number of factors, including price, product quality, capital and production capabilities, as well as the reputation and track record in relevant bridge cable projects of the supplier. Our sales team prepares and submits our tender documents according to the specified requirements in the tender invitation. For some of the bids, we are required to provide a specified amount as tender bond (投標保證金), which will be returned to us upon the publication of the results of the tender, whether or not we win the tender.

Pricing

We price our products based on the nature of 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 of and our relationship with the customer, and the cost of raw materials.

Entering into contracts

For the contracts obtained via open tender, once we have won the tender, we will enter into sales contracts with our customers, which are usually project companies or contractors. The final contract price may be subject to further negotiation. For such open tendered contracts, we are typically required to provide a performance bond (履約擔保金) of between 5% and 10% of the contract value, to ensure our performance in accordance with the terms of the contract. For a number of sales contracts, subject to negotiation and our relationship with the customer, we also require our customers to make an initial deposit payment of up to 20% following the signing of the contract. After signing the sales contract, our customers generally place purchase orders in batches according to the schedule of the project. Our production team will then arrange production in accordance with the delivery schedule.

Material contract terms

In general, sales contracts for our Cable Business contain terms relating to contract value, specification of the raw materials required, estimated project completion date, payment terms, retention money, warranty period and termination. For our Cable Business, we do not enter into any long-term agreement, and the term will be determined by the duration of each bridge cable project. During the Track Record Period, we generated most of our revenue through sales to customers in China and there have not been any material breaches in any sales contracts. The key terms of our sales contracts for our Cable Business are summarised as below:

Key terms	**Description**
Contract value	Generally, contract value is determined based on notification from our customers and the final contract value of which may be subject to further negotiation.
Product specifications	A contract usually contains product specifications of the bridge cables, such as length, stress level, types of cable, volume required and design of the cables.
Payment terms	• up to 20% of the contract value following signing of the contract

Key terms	Description
	• a certain percentage of the contract value for each individual batch of products inspected by and delivered to the customer (of which 5%-10% will be withheld as retention money)
Retention money (質保金)	For the majority of our projects, our customers typically require 5%-10% of the contract value as retention money. Such retention money is released to us after deducting any warranty claims, upon expiration of the warranty period and obtaining the certificate of expiration of warranty period after the completion of the construction of the bridge, which is typically one to two years.
Performance bond (履約擔保金)	Our customers typically request deposits to ensure our performance in accordance with the terms of contract. A performance bond is typically 5%-10% of the contract value and returned to us upon delivery of our products.
Warranty period	One to two years
Other terms	Delivery date, packaging requirement, product inspection criteria, place of delivery, and legally binding.

During the Track Record Period, contract values ranged from RMB5.9 million to RMB300.0 million for suspension bridge project and RMB3.9 million to RMB71.5 million for cable-stayed bridge projects, respectively.

Backlog

As at 30 June 2018, we had a total signed contract value of RMB514.5 million under our Cable Business, of which the remaining value of our products to be delivered under these contracts amounted to RMB452.3 million as the underlying bridge cable projects were in different stages. Backlog refers to the contract value that remains to be delivered under the signed contracts as at a certain date, assuming that our products will be delivered according to the terms of the contracts. Due to the nature of our Cable Business, we deliver finished products in batches in accordance with the delivery schedule as agreed in the contract, and as a result, the value of our backlog may be high since bridge cable projects often has a long construction period and when we gain new projects.

Based on our past experience and a review of the current progress of our backlog as at 30 June 2018, we expect that all of such backlog will be cleared, and revenue will be recognised by the end of 2019. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — The backlog for our Cable Business may not be indicative of our future results of operations" in this **[REDACTED]**.

Prestressed Materials Business

We generally secure our customer contracts through our existing customer base and competitive bidding. During the Track Record Period, we did not enter into any long-term agreements with our customers. Our sales orders typically contain terms specifying type, price, quantity, specifications and technological standard and delivery schedule. We typically grant our customers credit terms of up to 90 days from the date we issue our invoice and to settle their bills by way of cash or acceptance notes.

Pricing

We adopt a cost-plus basis approach when determining the price of an order. 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.

Our customers

We have a domestic and international sales network involving Chinese and overseas customers including, amongst others, Korea, Indonesia, Vietnam, Turkey and Qatar. For our Cable Business, our major customers are project companies and main contractors in bridge construction projects in China. For certain overseas sales such as sales to Korea, we sell to third parties which in turn sell our products to local project companies or contractors. For our Prestressed Materials Business, our major customers are steel material trading companies and steel materials manufacturers. For the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, overseas sales accounted for 5.7%, 4.1%, 3.8% and 4.4% of our Group's total revenue, respectively.

We generate a substantial amount of revenue from our major customers. For the years ended 31 December 2015, 2016, 2017, and the six months ended 30 June 2018, our five largest customers together accounted for 51.9%, 55.8%, 56.7% and 48.0% of our total revenue, respectively, and our largest customer accounted for 12.1%, 31.3%, 20.7% and 11.2% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates, nor Shareholders who own more than 5% of the issued share capital of our Company, has any interest in our five largest customers during the Track Record Period.

Further information on our five largest customers, in which most of them are from our Prestressed Materials Business for each of the periods during the Track Record Period is set out as follow:

Name	The periods being our five largest customers and approximate percentage (%) of our sales	Approximate year(s) of business relationships with our Group	Products purchased
Customer A	2015: 12.1% 2016: 31.3 2017: 20.7% January to June 2018: 11.0%	Seven	Rare earth coated wires
Customer B	2015: 11.7% 2016: 7.3% 2017: 3.2% January to June 2018: nil	Five	Plain surface PC strands and rare earth coated wires
Customer C	2015: 10.9% 2016: 1.6% 2017: nil January to June 2018: nil	Four	Rare earth coated wires and galvanised steel wires
Yunnan Longjiang Bridge Construction Division (雲南龍江特大橋建設指揮部)	2015: 8.4% 2016: nil 2017: nil January to June 2018: nil	Five	Bridge cables
Customer E	2015: 6.2% 2016: 4.8% 2017: 4.8% January to June 2018: 7.1%	Three	Rare earth coated wires
Customer F	2015: 2.7% 2016: 5.1% 2017: 5.6% January to June 2018: 5.4%	Four	Galvanised steel wires and bridge cables
Customer G	2015: 1.5% 2016: 3.8% 2017: 7.1% January to June 2018: 10.8%	Four	Galvanised steel wires

Name	The periods being our five largest customers and approximate percentage (%) of our sales	Approximate year(s) of business relationships with our Group	Products purchased
Customer H	2015: 0.8% 2016: 4.1% 2017: 7.4% January to June 2018: 11.2%	Five	Rare earth coated wires
Customer I	2015: 8.7% 2016: 7.3% 2017: 1.2% January to June 2018: nil	Five	Plain surface PC strands and rare earth coated wires
Guangdong Provincial Highway Construction Co. Ltd. Humen No.2 Bridge Branch (廣東省公路建設有限公司虎門二橋分公司)	2015: nil 2016: 3.0% 2017: 15.9% January to June 2018: 2.1%	Three	Bridge cables
Customer K	2015: nil 2016: nil 2017: 3.3% January to June 2018: 8.0%	Two	Rare earth coated wires

Sales return and warranty

For our Prestressed Materials Business, there were no material claims by our customers in relation to any product recall or defects, nor were there any material product returns during the Track Record Period.

For our Cable Business, we generally maintain a product warranty period of one to two years to ensure our products are of satisfactory standard. For the majority of our projects, our customers typically require 5%-10% of the contract value as retention money, which will be released to us after deducting any warranty claims, upon expiry of the warranty period and obtaining the certificate of expiration of warranty period. For certain projects, upon the release of retention money, we may carry out regular inspection of the cables for a period of up to five years.

QUALITY CONTROL

For all of our business operations, we implement stringent quality control measures at every stage of our production process, starting from procurement to final delivery. We have established quality management systems that are designed in accordance with the ISO 9001:2008 standards and each of the production facilities is ISO9001:2008 certified. As at 30 June 2018, we have a quality control team of 11 and six for our Cable Business and Prestressed Materials Business, respectively to ensure the effective implementation of our quality control system.

Quality control on raw materials

The quality of our products depends on the quality of our raw materials and therefore we assess our raw materials to ensure they are up to standard and without defects. Our raw materials procurement manual is designed in accordance with the ISO9001:2008 standards and each supplier has to pass our internal assessment before becoming one of our approved suppliers; such selection criteria include the quality of materials supplied, the length of the supplier's business relationship with us, pricing, punctuality and response time to orders placed by us. In addition, our quality control team would conduct sampling checks on the procured raw materials to ensure their quality before passing them onto the production line.

Quality control on production

We place a great emphasis on our products as quality and safety are of paramount importance to the end users of our products. We have an established system for maintaining consistency and quality in our production line. For every stage during the production process, a specific operational standard has to be met and our quality inspection staff would monitor and record any deficiencies found in the products. All our final products will need to pass our internal quality assessment such as sample testing before they are delivered to our customers.

With our rigorous quality control, our high quality standard has earned us international certifications and accreditations for our products. For our Prestressed Materials Business, we have obtained the Japanese Industrial Standards (JIS) Mark Certificate, United Kingdom Accreditation Service certification (UKAS), and the Korean Standards Association (KS) certification from South Korea. These international certifications enabled us to enter to these countries easier and could boost international customers' confidence in the quality of our products. For our Cable Business, our stay cable has passed the rigorous assessment conducted in internationally recognised laboratories.

RESEARCH AND DEVELOPMENT

The manufacture of our products depended on our knowhow and our patented technologies. We believe strong research and development capabilities will enable us to distinguish ourselves from our competitors and enhance our competitiveness, and therefore we have strong focus on enhancing our research and development facilities and know-how. Our research and development team conducts their research at our research centres and laboratories.

Research and development team and facilities

We have a research and development team for each of our Cable Business and Prestressed Materials Business. As at 30 June 2018, our research and development team had a total of 43 staff, which comprised certain members from the production department and technical department possessing extensive experience in the prestressed materials industry or bridge cable manufacturing industry. We focus our research and development activities on projects that would enable us to branch out our products into new desired markets such as new products or product enhancement. A majority of our research and development team members obtained post-secondary education, with some of them holding master's degrees or doctorate's degrees in engineering or other subjects relating to the construction of bridge cables or the manufacture of prestressed materials. Due to our strong capabilities in product know-how within the bridge cable manufacturing and prestressed materials, our staff were often invited by industry organisations to participate in devising industry standards.

In our research centres, we have laboratories and testing equipment for various testing functions to test all our research outcomes. Furthermore, our research and development capabilities have gained us various awards among this industry, in particular in the manufacture of bridge cables. Please refer to the section headed "Business — Awards and Recognitions" for more details.

Recognitions

In recognition of our continuing research and development efforts by the PRC government, our research and development centres have received the following recognitions.

Year	Recognition	Recognised Authority
2012	Zhejiang Province High and New Technology Enterprise Research Centre (浙江省省級高新企業研發開發中心)	Zhejiang Provincial Government of the PRC
2012	Jiujiang Municipal Enterprise Technology Centre (九江市企業技術中心)	Jiujiang Municipal Government of the PRC
2014	Industrial Design Centre (工業設計中心)	Jiaxing Municipal Government of the PRC
2014	Maanshan Municipal Projects Technology Research Centre (馬鞍山市工程技術研究中心)	Maanshan Municipal Science and Technology Bureau
2015	Shanghai Municipal Enterprise Technology Centre (上海市企業技術中心)	Shanghai Municipal Government of the PRC
2016	Zhejiang Province Engineering Institute (浙江省省級企業研究院)	Zhejiang Provincial Government of the PRC

Collaboration with tertiary institutions

During the Track Record Period, we entered into various cooperation agreements with tertiary institutions including Tongji University and Jiujiang Engineering and Materials Institute ("**Jiujiang Institute**") for mutual research cooperation. For example, pursuant to a two-year research cooperation agreement with Jiujiang Institute in 2017, Ossen Jiujiang agreed to provide its research and development resources such as the research and development team and testing laboratories for facilitating students of Jiujiang Institute to develop new technology know-how on certain galvanised prestressed technology with a view to reducing unit costs, improving production efficiency and upgrading product quality. Any joint research outcome will be co-owned by both parties.

Research and development expenses

We make significant investments in research and development, particularly in connection with the bridge cables application. Our research and development expenses amounted to RMB43.3 million, RMB49.1 million, RMB60.2 million and RMB19.4 million for the years ended 31 December 2015, 2016, 2017 and the six months ended 30 June 2018, respectively, representing 4.2%, 4.5%, 4.6% and 3.1% of our total revenue.

COMPETITION

Cable Business

The cable manufacturing market is largely concentrated with a few major bridge cable manufacturers in China. The majority of the super-long-span bridges constructed in China have been supplied with bridge cables from three largest players in China and their products have supplied 84.5% of the total number of super-long-span bridges constructed in China between 1991 and 2017, according to Frost & Sullivan. Due to high requirement of (i) projects track record, (ii) capital and production capabilities; and (iii) human resource for bridge cable manufacturers competing for bridge construction projects, new entrants typically face high entry barriers because of the substantial amount of investments and efforts required to compete with the existing players in the market. Please refer to "Industry Overview — Market Analysis for the bridge cable and prestressed materials — Key Entry Barriers — Key barriers to entry for bridge cable manufacturers" for details.

Prestressed Materials Business

The prestressed materials manufacturing industry in China is fragmented with approximately 600 players competing in the market, among which the top five manufacturers accounted for approximately 24.8% of the total market share in 2017 in terms of sales value of prestressed materials, according to Frost & Sullivan. Since prestressed materials has a wide application and has a large number of product type ranging from prestressed wires to prestressed wire ropes, each player usually competes by having its own focus on producing a certain type of prestressed materials.

For further details of the competitive landscape of the industry that we operate in, please refer to the section headed "Industry Overview".

AWARD AND RECOGNITIONS

As at the Latest Practicable Date, we have been granted the following awards and recognitions, including (ranked by the year of award):

Month/Year	Award/Recognition	Issuing Authority
Cable Business		
1995	First Class Prize of The State Scientific and Technological Progress (國家級科學技術進步獎一等獎)	State Scientific and Technological Commission
2004	International Gold Prize for High Quality Engineering (國家工程優質金獎)	China Association of Construction Enterprise management
2007	National Outstanding Enterprise for Technology Innovation and Quality Management (全國科技創新質量管理先進單位)	CHC National Quality Control Working Committee
2011	First Prize of Science and Technology Award of China Highway Society (中國公路學會科學技術獎一等獎)	China Highway Society
2012	Certificate of National Torch Program Demonstration Project (國家火炬計劃產業化示範項目證書)	Science and Technology Division of the PRC
2013	Second Class Prize of The State Scientific and Technological Progress Award (中華全國工商聯合會科技進步二等獎)	All-China Federation of Industry and Commerce
2013	New Key Product (國家重點新產品證書)	Science and Technology Division of the PRC
2014	National Certificate of Engineering Law (國家級工法證書)	Housing and Country Construction Division of the PRC
2015	Shanghai Well-known Trademark (上海著名商標)	State and Administration for Industry and Commerce of Shanghai City
2016, 2017	Quality of Excellence award 2016-2017 (2016-2017年度國家優質工程獎)	China Association of Construction Enterprise management

Month/Year	Award/Recognition	Issuing Authority
2017	State Intellectual Property Competitive Enterprise (國家知識產權優勢企業)	State Intellectual Property Office
2018	Award in contributing innovation excellence (標準創新優秀貢獻獎)	People's Government of the Zhejiang Province
Prestressed Materials Business		
2007	China Excellent Corporate Citizenship (中國優秀企業公民)	Chinese Excellent Citizen Working Committee
2007	Excellent Technological New Product Certificate of Jiangxi Province (江西省優秀科技新產品)	Science and Technology Division of Jiangxi Province
2008	Anhui Province Well-known Brand (安徽名牌產品)	Anhui Province Quality Control Bureau
2008	Jiangxi Province Well-known Brand (江西省名牌)	Jiangxi Well-known Brand Strategy Committee
2009	Foreign-invested Advanced Technology Enterprises (外商投資先進技術企業)	Ministry of Commerce of Anhui Province
2009	Independent Innovation Product Certificate of Jiangxi Province (江西省自主創新產品證書)	Science and Technology Division of Jiangxi Province
2010	Jiangxi Provincial Private High-tech Enterprise (江西省省級民營科技企業)	Science and Technology Division of Jiangxi Province
2011	Anhui Province Famous Trademark (安徽省著名商標)	Anhui Provincial Government
2012	Certificate of National Torch Program Project (國家火炬計劃項目證書)	National Science and Technology Bureau

Month/Year	Award/Recognition	Issuing Authority
2013	Second Class Prize of The Scientific and Technological Progress of Jiangxi Province (江西省科技進步二等獎)	Jiangxi Provincial Government
2014	Advanced Quality Management Enterprise of Jiagnxi Province (江西省質量管理先進企業)	Jiangxi Province Quality Control Bureau
2014	Second class prize for science advancement (科學技術進步二等獎)	China Highway and Transportation Society
2015	New Key Product of the Jiangxi Province (江西省重點新產品)	Science and Technology Bureau of the Jiangxi County
2017	Establishment of Postdoctoral Programme (博士後科研工作站)	Anhui Province Human Resource and Social Security Bureau
2017	Certificate of Recognition of High New Technology Product (高新技術產品認定證書)	Anhui Provincial Technology Bureau
2017	Technology Invention Award (江西省技術發明獎)	Jiangxi Provincial Government

The following projects that the Group has participated were awarded the following:

	Project
China Construction Engineering Luban Award	Baling River Bridge 壩陵河大橋 Yichang Yangtze River Highway Bridge 宜昌長江公路大橋 Jiangyin Yangtze River Bridge 江陰長江公路大橋 Sanxia Xiling Yangtze River Bridge 三峽西陵長江大橋 Shantou Bay Bridge 汕頭海灣大橋 Nanjing No.2 Yangtze River Bridge 南京長江第二大橋 Wuhu Yangtze Bridge 蕪湖長江公路大橋 Shanghai Yangpu Bridge 上海楊浦大橋 Tongling Yangtze River Ridge 銅陵長江公路大橋 Shanghai Nanpu Bridge 上海南浦大橋 Harbin Raocheng Highway (West Section) Sifangtai Bridge 哈爾濱繞城高速公路西段四方台大橋 Harbin International Convention Centre Sports Centre main stadium 哈爾濱國際會展體育中心主館 Yantai World Trade Centre – Exhibition Centre 煙臺世貿中心-會展中心 Guangzhou Stadium 廣州體育館 Shanghai Pudong International Airport – Terminal One 上海浦東國際機場一期航站樓 Shanghai First Department Store Building 上海市第一百貨商業大樓 Taiyuan Jiuguan Highway Toll Booth 太原舊關高速公路主線收費棚 Donghai Bridge project 東海大橋工程 Jiuquan Satellite Launch Centre Youyi Bridge 中國酒泉衛星發射中心神舟友誼大橋 Axial of the Shanghai Expo 世博軸及地下綜合體工程

	Project
	Hangzhou Bay Bridge 杭州灣跨海大橋工程 Beijing Metro Line No.5 Qinghe Bridge 北京地鐵五號線清河斜拉橋 Jiujiang Yangtze River Highway Bridge 九江長江公路大橋 Zhejiang Zhoushan Island Link Xihoumen Bridge 舟山大陸連島工程西堠門大橋 Sidu River Bridge 四渡河特大橋 Yongjiang Bridge 甬江特大橋
Zhan Tianyou Civil Engineering Award	Ningbo Railway Interchange Yongjiang Bridge 寧波鐵路樞紐新建北環線工程甬江特大橋 Jingxin Expressway Separated Interchange Bridge 京新高速公路分離式立交橋 Shanghai Tower 上海中心大厦 Yichang Yangtze River Highway Bridge 宜昌長江公路大橋 Jiangyin Yangtze River Bridge 江陰長江公路大橋 Xiamen Haicang Bridge 厦門海滄大橋 Jiangsu Runyang Yangtze River Bridge 江蘇潤揚長江公路大橋 Guangdong Humen Bridge 廣東虎門大橋 Nanjing No.3 Yangtze River Bridge 南京長江第三大橋 Yueyang Tongting Lake Bridge 岳陽洞庭湖大橋 Junshan Yangtze River Highway Bridge 軍山長江公路大橋 Nanjing No.2 Yangtze River Bridge 南京長江第二大橋 Wuhu Yangtze River Bridge 蕪湖長江公路大橋 Shanghai Yangpu Bridge 上海楊浦大橋 Yamen Bridge 崖門大橋

Project

Beijing Metro Line No.5 Qinghe Bridge
北京地鐵五號綫清河斜拉橋
Axial of the Shanghai World Expo
上海世博軸工程
Donghai Bridge project
東海大橋工程
Yajisha Bridge
丫髻沙大橋主橋
Harbin International Convention Centre Sports Centre main stadium
哈爾濱國際會展體育中心主館
Guangzhou Baiyun International Airport
廣州白雲國際機場
Guangzhou International Convention and Exhibition Centre
廣州國際會議展覽中心
Wuhan Stadium
武漢體育中心體育場
Shanghai Stadium
上海體育場
Hangzhou Bay Bridge
杭州灣跨海大橋工程
Zhejiang Zhoushan Island Link Xihoumen Bridge
舟山大陸連島工程西堠門大橋
Sidu River Bridge
四渡河特大橋
Jiujiang Yangtze River Highway Bridge
九江長江公路大橋

PROPERTIES

Self-owned Properties

Land

As at the Latest Practicable Date, we owned four parcels of land with a total site area of approximately 227,972.7 sq.m. Below set out the details of our self-owned properties.

Location	Number of parcel of land	Approximate GFA *(sq.m.)*
Xitang, Zhejiang Province	one	121,836.9
Maanshan, Anhui Province	one	47,355.5
Jiujiang, Jiangxi Province	two	58,780.3

We had obtained valid land use right certificates for these parcels of land. Our PRC Legal Advisers confirmed that we have the valid land use rights on these four parcels and we are entitled to occupy and use such parcels land.

Buildings

As at the Latest Practicable Date, we owned 23 building properties with an aggregate GFA of approximately 92,822.8 sq.m. All these building properties are located on the parcels of land owned by us. Below set out the details of our self-owned properties.

Location	Approximate GFA *(sq.m.)*	Usage
Xitang, Zhejiang Province	57,343.9	Production facility and office
Maanshan, Anhui Province	14,668.9	Production facility and office
Jiujiang, Jiangxi Province	20,810.0	Production facility and office

Our PRC Legal Advisers confirmed that we hold the valid title certificates and we are entitled to occupy and use such buildings.

As at 30 June 2018, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this **[REDACTED]** any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this **[REDACTED]** is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

Leased properties

As at the Latest Practicable Date, we leased a total of five properties with an aggregate GFA of 1,778.6 sq.m. in China. The leased properties are mainly used as offices. All leased properties were leased from Independent Third Parties. Some of our leased properties with an aggregate GFA of 1,190.0 sq.m. have not completed the filing and registration formalities to register the lease agreements with the relevant government authorities. As advised by our PRC Legal Advisers, despite the leases not having been registered with the relevant government authorities, they remain valid and legal under the current PRC laws and regulations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we are the registered owner of 142 patents. As at Latest Practicable Date, we have 142 registered patents and six pending patent applications, of which three are registered overseas. Some of our patented technologies include the following:

Cable Business

- **Pre-shaping suspension cable (預成型索股).** We are the first to manufacture pre-shaping suspension cable in the world in 2012. This new technology allowed certain cross-sections of a suspension cable to be arranged in rectangular cross section instead of a traditional hexagonal cross-section and thus reducing the difficulty in installation. With this rectangular alignment, the suspension cable could be hauled over the pylon saddles to form main cables more efficiently as each suspension cable can be bound closely under a square-cross section and the stress-level of each suspension cable could be distributed more evenly. By applying pre-shaping suspension cable, the number of construction days can be reduced significantly as less adjustment or fine tuning will be needed during installation. The pre-shaping suspension cables were first introduced for constructing the Oakland Bay Bridge in San Francisco, United States in 2013. Please refer to the section headed "Business — Our Business — Cable Business — Bridge Cables — Simple illustration of a suspension bridge" for the application of a suspension cable.

- **Anti-rain and anti-wind induced vibration technology (抗風雨激震技術).** First to introduce double helical fillet parallel wire strand in China in 2006.

- **Inflatable stay cable sealed system (充氣式拉索密封系統).** An inflatable air sac capsule can ensure the stability of the air pressure within a stay cable sealed system and enhance the durability, stability and flexibility of the stay cable introduced in 2013.

- **Anti-corrosion technology (防腐蝕拉索技術).** An enhanced anti-corrosion technology on stay cable.

- **Fatigue resistance testing (抗疲勞測試技術).** First to pass fatigue test with two million cycles at 250Mpa stress range.

Prestressed Materials Business

- **Galvanised prestressed wire re-processing technique (鍍鋅鋼絲再加工工藝)**. A technique to improve and enhance the polishing efficiency of the galvanised prestressed products.

- **Zinc-coated prestressed strand polishing techniuqe for bridge cable (橋梁纜索專用鍍鋅鋼絲光整技術)**. Introduced a polishing technique to improve the quality of zinc-coated prestressed PC strand. This technique was awarded the 3rd class technology and invention award by the Jiangxi Provincial government.

- **Prestressed zinc-coated wires stabilisation production method (預應力鍍鋅鋼絲接頭穩定化處理生產方法)**. Improved and enhanced the stabilisation production method for zinc-coated prestressed wires in reducing waste and production efficiency.

- **Galvanised prestressed wires production technique (鍍鋅鋼絲生產工藝)**. A technique to reduce the failure rate in producing galvanised prestressed wires.

For further details of our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further Information about our Business — Intellectual property rights" in Appendix V to this **[REDACTED]**.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have established internal control measures and risk management systems designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In preparation for the **[REDACTED]**, we have engaged an external independent internal control advisory firm to carry out an internal control review according to the agreed scope, which covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, inventory, treasury, and general information technology controls; and (ii) a report to our Group on factual findings and recommendations for improvement on our internal control system over the abovementioned processes and procedures. As at the Latest Practicable Date, we have implemented the relevant internal control measures based on the recommendation of the external internal control consultant. After considering the enhancement measures implemented and the result of such follow-up review, our Directors are satisfied that our internal control system is adequate and effective for our current operational environment.

In order to monitor the possible risks we encounter in our operations, we have formed a risk assessment committee for the management of risks within the Group. The main role of the risk assessment committee was to (i) lead our Group's strategic direction in the management of our Group's business risks; (ii) to monitor the implementation of a risk management framework; and (iii) to review the effectiveness of the risk management framework.

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

EMPLOYEES

As at 30 June 2018, we had a total of 422 employees, of which 235 were employed by our Cable Business and 187 by our Prestressed Materials Business. The following table sets out the breakdown of our employees number by function:

Function	Number of employees
Production	242
Management and administration	92
Sales and marketing	24
Procurement and warehousing	20
Research and Development	27
Quality control	17
Total	422

During the Track Record Period and up to the Latest Practicable Date, we did not have any significant difficulty in recruiting employees or use any recruitment agent in recruitment nor had we faced any material labour disputes. During the Track Record Period, there had been no incidence of work stoppages, labour disputes, claims, litigation, administrative action or arbitration relating to labour disputes that had materially and adversely affected our operations.

Our recruitment policies for employees take into account a number of factors, including our operational needs and the business strategies of our Group. Once an employee joined our Group, he/she will undergo training including orientation where we will introduce our corporate culture, history as well as safety guidelines. Specific job training which covers management and professional skills will be provided in accordance with the roles and responsibilities of the employee.

All of our employees are paid a fixed salary and the salary will be determined based on the employees' role, position, experience and work performance by an internal committee. We regularly review compensation and benefit policies to ensure that our practices are in line with market conditions and norms. We believe that this will allow us to compete with our competitors and retain good human resources.

Social Insurance and Housing Providence Funds Contributions

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social security funds, including funds for basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance and the housing provident fund. For details, please refer to the section headed "Regulatory Overview" in this **[REDACTED]**.

During the Track Record Period, we had made all required contributions to the social insurance and housing provident funds in accordance with all relevant laws and regulations.

During the Track Record Period and as at the Latest Practicable Date, we had not received any complaints from our employees for insufficient contributions by us to any social insurance or housing provident fund nor had we received any order or notice from the regulatory authorities requesting contributions to any social insurance or housing provident funds. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, as confirmed by the relevant competent government authorities, we were not subject to any administrative penalties in relation to social insurance or housing provident funds.

ENVIRONMENTAL PROTECTION

We are subject to certain laws and regulations in relation to environmental protection including those governing the prevention and control of water pollution, solid waste pollution, atmospheric pollution and noise pollution. Please refer to the section headed "Regulatory Overview" in this **[REDACTED]** for further information about these laws and regulations.

We have implemented comprehensive environmental protection measures to minimise the impact of our production processes on the environment. We have a comprehensive internal measures in order to govern the management of our treatment of waste, and environmental protection. As part of our business development and future plans, we intend to upgrade our existing environmental protection facilities such as waste treatment facilities in order to keep up with the laws and regulation in relation to environmental protection. Please refer to the section headed "Future Plans and **[REDACTED]**" for details. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, as confirmed by the relevant competent government authorities, we were not subject to any administrative penalties in relation to environmental protection matters.

During the Track Record Period and as at the Latest Practicable Date, we had not received any notice or warning in relation to pollution in respect of our production, nor had we been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any non-compliance with any environmental protection laws in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof.

OCCUPATIONAL SAFETY AND HEALTH MATTERS

We are subject to the Product Quality Law, PRC Labour Law and other relevant laws, administrative regulations, national standards and industrial standards which stipulate the requirements to maintain safe production conditions and to protect the occupational health of employees.

We place a strong emphasis on adhering a safe and healthy working environment. Pursuant to the occupational safety requirements, we require new employees to participate in safety training to familiarise themselves with the relevant safety rules and procedures. Our equipment and machinery are also maintained regularly to ensure they are safe to be operated. We also implement safety measures at our production facilities to ensure compliance with applicable regulatory requirements and to minimise the risk of injury for our employees. For our Maanshan production site, we have been awarded by the State Administration of Work Safety, third level work safety standardisation certificate in 2016.

During the Track Record Period and as at the Latest Practicable Date, we did not experience any material or prolonged stoppages of production due to equipment failure and we did not experience any severe accidents during our production process. As at the Latest Practicable Date, as confirmed by the relevant competent government authorities, we were not subject to any administrative penalties relating to occupational safety and health matters.

INSURANCE

As at the Latest Practicable Date, we do not maintain insurance for all of our production facilities or for all product liability. Any uninsured loss or damage to property, litigation, business disruption or product liability claims may result us in incurring substantial costs or diverting our resources. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — We have limited insurance coverage and may incur losses resulting from product liability claims, business interruption or natural disasters" in this **[REDACTED]**. Nonetheless, we believe that our insurance coverage is adequate and is in line with industry practise. During the Track Record Period and as at the Latest Practicable Date, we have not had any material claims or liabilities arising from any accidents relating to our operations, nor had we experienced any material production interruptions or product liability incidents.

During the Track Record Period and as at the Latest Practicable Date, we had not made, nor had we been the subject of, any insurance claims which are of a material nature to us.

LEGAL PROCEEDINGS

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business, such as proceedings in respect of disputes with suppliers or customers and labour disputes. During the Track Record Period and up to the Latest Practicable Date, there were no material legal proceedings, regulatory inquiries or investigations made or pending threatened against us.

REGULATORY COMPLIANCE

As at the Latest Practicable Date, as advised by our PRC Legal Advisers, each of our PRC subsidiaries had obtained the requisite governmental licences, permits and certifications and renewals thereof which are necessary for its operations, and had complied, in all material respects, with all applicable laws and regulations.