The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, for the purpose of incorporation in this **[REDACTED]**.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PUJIANG INTERNATIONAL GROUP LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on historical financial information of Pujiang International Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on page I-4 to I-66, which comprises the consolidated statement of financial position as at 31 December 2016, 2017 and 2018 and the statement of the financial position of the Company as at 31 December 2017 and 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the **[REDACTED]** of the Company dated 17 May 2019 (the "**[REDACTED]**") in connection with the initial **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2017 and 2018, the Group's financial position as at 31 December 2016, 2017 and 2018, the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No financial statements for the Company

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

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659
Hong Kong

17 May 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000
Revenue	7	1,081,887	1,317,693	1,383,335
Cost of sales		(867,432)	(1,071,786)	(1,056,834)
Gross profit		214,455	245,907	326,501
Other revenue	8	8,430	11,406	11,508
Other gains and losses	9	(3,392)	(1,902)	(4,100)
Distribution and selling expenses		(16,153)	(21,316)	(19,754)
Administrative expenses		(28,948)	(38,533)	(33,321)
Research and development expenses		(49,128)	(60,244)	(53,725)
Finance costs	10	(40,430)	(34,469)	(54,658)
Profit before income tax expense	11	84,834	100,849	172,451
Income tax expense	14	(9,956)	(12,177)	(23,853)
Profit for the year		74,878	88,672	148,598
Attributable to:				
Owners of the Company		58,403	71,514	115,851
Non-controlling interests		16,475	17,158	32,747
		74,878	88,672	148,598
Profit for the year		74,878	88,672	148,598
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations		(439)	438	(14)
Other comprehensive income for the year		(439)	438	(14)
Total comprehensive income for the year		74,439	89,110	148,584
Total comprehensive income for the year attributable to:				
Owners of the Company		58,115	71,803	115,837
Non-controlling interests		16,324	17,307	32,747
		74,439	89,110	148,584

2. Consolidated Statements of Financial Position

	Notes	As at 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000
Non-current assets				
Property, plant and equipment	17	108,085	99,269	93,618
Prepaid land lease payments – non-current portion	18	29,990	29,228	28,465
Intangible assets	19	–	–	–
Deferred tax assets	20	5,812	5,663	6,027
Prepayments and deposits	24	66,443	26,335	16,694
Total non-current assets		210,330	160,495	144,804
Current assets				
Inventories	21	226,390	137,417	176,693
Trade, retention and bills receivables	22	578,343	545,044	803,198
Prepayments, deposits and other receivables	24	491,699	952,682	1,203,214
Prepaid land lease payments – current portion	18	762	762	762
Restricted bank deposits	25	119,629	110,720	131,653
Cash and cash equivalents	25	104,881	13,571	61,401
Total current assets		1,521,704	1,760,196	2,376,921
Total assets		1,732,034	1,920,691	2,521,725
Current liabilities				
Trade and bills payables	26	284,191	233,899	400,249
Contract liabilities	7	18,470	40,556	46,298
Other payables and accruals	27	21,083	47,537	64,558
Bank borrowings	28	337,437	433,437	730,994
Amount due to a shareholder	29	6,986	12,029	18,730
Amounts due to related parties	29	27	–	–
Income tax payable		6,270	6,553	15,631
Total current liabilities		674,464	774,011	1,276,460
Net current assets		847,240	986,185	1,100,461
Total assets less current liabilities		1,057,570	1,146,680	1,245,265

		As at 31 December		
	Notes	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank borrowings – due after one year	*28*	50,000	50,000	–
Total non-current liabilities		50,000	50,000	–
NET ASSETS		1,007,570	1,096,680	1,245,265
Capital and reserves attributable to owners of the Company				
Share capital	*30*	–	–*	1
Reserves	*31*	812,564	884,367	1,000,204
Equity attributable to owners of the Company		812,564	884,367	1,000,205
Non-controlling interests	*32*	195,006	212,313	245,060
TOTAL EQUITY		1,007,570	1,096,680	1,245,265

* Represents amount less than RMB1,000.

3. Statements of Financial Position of the Company

	Notes	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000
Non-current asset			
Interest in a subsidiary	*33*	–	–
Total non-current asset		–	–
Current asset			
Prepayments		2,871	4,953
Total current assets		2,871	4,953
Total assets		2,871	4,953
Current liabilities			
Other payables and accruals		6,519	7,340
Amount due to a subsidiary		–	–
Amount due to a shareholder		4,966	12,471
Total current liabilities		11,485	19,811
Net current liabilities		(8,614)	(14,858)
Net liabilities		(8,614)	(14,858)
Capital and reserves			
Share capital	*30*	–*	1
Reserve	*31*	(8,614)	(14,859)
Total equity		(8,614)	(14,858)

* Represents amount less than RMB1,000.

4. Consolidated Statements of Changes in Equity

	Attributable to owners of the Company								
	Share capital RMB'000 (Note 30)	Capital reserve RMB'000 (Note 31)	Statutory reserve RMB'000 (Note 31)	Merger reserve RMB'000 (Note 31)	Translation reserve RMB'000 (Note 31)	Retained earnings RMB'000 (Note 31)	Total RMB'000	Non-controlling interests RMB'000 (Note 32)	Total equity RMB'000
As at 1 January 2016	–	159,181	45,267	90,341	(8,380)	468,039	754,448	178,683	933,131
Exchange difference arising on translation of foreign operations	–	–	–	–	(287)	–	(287)	(152)	(439)
Profit for the year	–	–	–	–	–	58,403	58,403	16,475	74,878
Total comprehensive income for the year	–	–	–	–	(287)	58,403	58,116	16,323	74,439
Transfer from retained earnings to statutory reserve	–	–	5,456	–	–	(5,456)	–	–	–
As at 31 December 2016 and 1 January 2017	–	159,181	50,723	90,341	(8,667)	520,986	812,564	195,006	1,007,570
Issuance of share capital	–*	–	–	–	–	–	–*	–	–*
Exchange difference arising on translation of foreign operations	–	–	–	–	289	–	289	149	438
Profit for the year	–	–	–	–	–	71,514	71,514	17,158	88,672
Total comprehensive income for the year	–	–	–	–	289	71,514	71,803	17,307	89,110
Transfer from retained earnings to statutory reserve	–	–	8,114	–	–	(8,114)	–	–	–
As at 31 December 2017 and 1 January 2018	–*	159,181	58,837	90,341	(8,378)	584,386	884,367	212,313	1,096,680
Issuance of share capital	1	–	–	–	–	–	1	–	1
Exchange difference arising on translation of foreign operations	–	–	–	–	(14)	–	(14)	–	(14)
Profit for the year	–	–	–	–	–	115,851	115,851	32,747	148,598
Total comprehensive income for the year	1	–	–	–	(14)	115,851	115,838	32,747	148,585
Transfer from retained earnings to statutory reserve	–	–	12,840	–	–	(12,840)	–	–	–
As at 31 December 2018	1	159,181	71,677	90,341	(8,392)	687,397	1,000,205	245,060	1,245,265

* Represent amount less than RMB1,000.

5. Consolidated Statements of Cash Flows

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax expense	84,834	100,849	172,451
Adjustments for:			
Amortisation of prepaid land lease payments	763	762	763
Depreciation of property, plant and equipment	12,385	10,812	8,855
Finance costs	40,430	34,469	54,658
Impairment loss recognised/(reversed) on trade and retention receivables	4,506	(781)	3,915
Impairment loss recognised/(reversed) on deposits and other receivables	(976)	2,339	190
Impairment loss recognised on inventories	835	–	–
Interest income	(2,977)	(6,004)	(4,968)
Gain on disposal of property, plant and equipment	8	–	14
Operating profits before working capital changes	139,808	142,446	235,878
(Increase)/decrease in inventories	(3,707)	88,973	(39,276)
(Increase)/decrease in trade, retention and bills receivables	(58,772)	34,080	(262,069)
Decrease/(increase) in prepayments, deposits and other receivables	57,155	(423,214)	(245,706)
(Decrease)/increase in trade and bills payables	(86,484)	(50,292)	166,350
Decrease in contract liabilities	4,996	22,085	5,740
(Decrease)/increase in deposits received, other payables and accruals	11,122	26,603	16,894
Cash generated from/(used in) operations	64,118	(159,319)	(122,189)
Income tax paid	(7,505)	(11,745)	(15,139)
Net cash generated from/(used in) operating activities	56,613	(171,064)	(137,328)

	Note	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities				
Purchases of property, plant and equipment		(1,296)	(1,996)	(3,259)
Proceeds from disposal of property, plant and equipment		18	–	41
Decrease/(increase) in restricted bank deposits		40,758	8,909	(20,933)
Interest received		2,977	6,004	4,968
Net cash generated from/(used in) investing activities		42,457	12,917	(19,183)
Cash flows from financing activities	*40*			
Proceeds from bank borrowings		485,360	532,885	510,642
Repayment of bank borrowings		(393,260)	(437,100)	(263,085)
Repayment of bond payables		(100,000)	–	–
Interest paid		(46,662)	(34,376)	(49,906)
Repayment of advances from related parties		(640)	(27)	–
Increase in amount due to a shareholder		153	5,469	6,701
Net cash (used in)/generated from financing activities		(55,049)	66,851	204,352
Net increase/(decrease) in cash and cash equivalents		44,021	(91,296)	47,841
Cash and cash equivalents at the beginning of year		60,828	104,881	13,571
Effect of exchange rate changes on cash and cash equivalents		32	(14)	(11)
Cash and cash equivalents at the end of year		104,881	13,571	61,401
Analysis of the balances of cash and cash equivalents:				
Cash and cash equivalents		104,881	13,571	61,401

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in the Cayman Islands on 26 April 2017, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is 16/F., No. 518 Shangcheng Road, Shanghai, the People's Republic of China (the "**PRC**"). The Company is an investment holding company and the Group is principally engaged in manufacture, installation and sales of customised prestressed steel materials and cables (the "**[REDACTED] Business**").

In the opinion of the directors of the Company, the **[REDACTED]** Business was controlled by Dr. Tang Liang ("**Dr. Tang**") throughout the Track Record Period.

(b) Reorganisation

Prior to the incorporation of the Company and completion of the Reorganisation as described below, the manufacture and sale of customised prestressed steel materials were carried out by Ossen Innovation Materials Co., Limited, Ossen (Jiujiang) New Materials Co., Limited, Ossen Innovation Materials Group Co., Limited, Ossen Group (Asia) Co., Limited and Topchina Development Group Limited (collectively the "**OS Group**"). And the manufacture, installation and sale of customised cables were carried out by Shanghai Pujiang Cables Co., Limited, Zhejiang Pujiang Cable Co., Limited and Shanghai Pujiang Cable Installation Engineering Co., Limited (collectively the "**PJ Group**"). Before the completion of the Reorganisation, the OS Group and the PJ Group were controlled by Dr. Tang who held controlling interests in the OS Group and PJ Group throughout the Track Record Period.

In preparation for the **[REDACTED]** of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 2 October 2018. The major steps of the Reorganisation are described below:

*Step 1a:Incorporation of 4 special purpose vehicles ("**SPV**")*

Before the incorporation of the **[REDACTED]** entity, four of the shareholders of the PJ Group, Mr. Lu Lin, Mr. Wang Jianhua, Dr. Tang and Mr. Man Yat Man, set up four offshore investment holding companies in the British Virgin Islands (the "the **BVI**"). Below is the table of the wholly owned investment holding companies (the "**Holding BVI Co.s**") of the PJ Group's shareholders in the BVI:

Name of PRC shareholders	Name of Holding BVI Company
Dr. Tang	Elegant Kindness Limited
Mr. Wang Jianhua	Xinland Investment Limited
Mr. Lu Lin	Brilliance Benefit Holding Limited
Mr. Man Yat Man	Five Standers Holdings Limited

Step 1b:Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Laws on 26 April 2017 as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each, of which 1 share of a par value of HK$0.01 each has been issued and fully paid.

*Step 2: Incorporation of Brilliance Benefit Holding Limited ("**Brilliance Benefit**"), Xinland Investment Limited ("**Xinland Investment**"), and Five Standers Holding Limited ("**Five Standers**") by Mr. Lu Lin, Mr. Wang Jianhua and Mr. Man Yat Man, respectively*

On 11 May 2017, 19 May 2017, and 29 May 2017, Brilliance Benefit, Xinland Investment, and Five Standers were incorporated in the BVI respectively, which the entire issued share capital was owned by Mr. Lu Lin, Mr. Wang Jianhua, and Mr. Man Yat Man respectively. These three companies were incorporated for holding the shares of the Company.

Step 3: Transfer of 1% shareholding of Shanghai Pujiang from Mr. Wang Jianhua to Mr. Man Yat Man

On 17 June 2017, as part of the Reorganisation, Mr. Wang Jianhua entered into an equity transfer agreement with Mr. Man Yat Man whose nationality is Australian, pursuant to which Mr. Wang Jianhua transferred his 1% equity interest in Shanghai Pujiang to Mr. Man Yat Man.

The consideration was approximately RMB3.0 million. Such consideration was determined with reference to net asset value of Shanghai Pujiang as at 31 December 2016 as indicated in the valuation report dated 5 June 2017 and was settled on 6 November 2017.

The above transfer was properly and legally completed and settled on 21 July 2017. Upon completion of the series of transfer, the equity interest of Shanghai Pujiang was owned by Ossen Group, Kunshan Zhongke, Mr. Lu Lin, Mr. Wang Jianghua, Mr. Man Yat Man and Dr. Tang as to approximately 69.5%, 10%, 10%, 9% and 1% and 0.5% respectively.

*Step 4: Incorporation of Top Innovation Enterprises Limited ("**Top Innovation**") and Acme Innovation Limited ("**Acme Innovation**") by the Company*

On 28 May 2018, Top Innovation and Acme Innovation were incorporated in the BVI, which the entire issued share capital of both companies were owned by the Company.

Step 5: Acquisition of Ossen Group Co., Ltd from Dr. Tang by Top Innovation Enterprises Limited

On 14 June 2018, Top Innovation acquired the entire issued share capital of Ossen Group Co., Ltd from Dr. Tang at a consideration of HK$1.

*Step 6: Incorporation of Shanghai Xiong Ao Enterprise Management Co., Ltd ("**Xiong Ao**") by Ossen Group Co., Ltd*

On 15 June 2018, Xiong Ao was incorporated in the PRC with a registered capital of RMB1,000,000. The entire equity interest of Xiong Ao is owned by Ossen Group Co., Ltd.

Step 7: Subscription of Shares of the Company by Elegant Kindness and Xinland Investment, and transfer of 69.5% and 5% equity interest of Shanghai Pujiang from Ossen Group PRC and Mr. Wang Jianhua to Shanghai Xiong Ao respectively

On 28 June 2018, the Company issued and allotted and Elegant Kindness subscribed and fully paid for 79,695 Shares at the subscription price of HK$0.01 per Share. Upon completion of the said subscription, the Company was wholly owned by Elegant Kindness.

On 29 June 2018, Xiong Ao entered into equity transfer agreement with Ossen Group PRC and Mr. Wang Jianhua, respectively, pursuant to which Ossen Group PRC and Mr. Wang Jianhua transferred 62,550,000 shares and 4,500,000 shares of Shanghai Pujiang (equivalent to 69.5% and 5% of the issued share capital in Shanghai Pujiang respectively), to Xiong Ao at a consideration of RMB62,550,000 and RMB4,500,000 respectively.

On 4 July 2018, the Company issued and allotted and Xinland Investment subscribed and fully paid for 5,804 Shares at the subscription price of HK$0.01 per Share. Upon completion of the said subscription, the Company was owned as to 93.21% by Elegant Kindness and 6.79% by Xinland Investment.

Step 8: Subscription of approximately 0.69% equity interest of Xiong Ao by Dr. Tang

On 20 July 2018, Dr. Tang subscribed approximately 0.69% equity interest of Xiong Ao at the subscription price of RMB6,985. Xiong Ao was owned by Ossen Group Co., Ltd and Dr. Tang as to 99.31% and 0.69%, respectively.

Step 9: Subscription of approximately 0.31% equity interest of Xiong Ao by Dr. Tang

On 30 August 2018, Dr. Tang subscribed approximately 0.31% equity interest of Xiong Ao at the subscription price of RMB3,116. Upon completion of the said subscription, Xiong Ao was owned as to 99% by Ossen Group Co., Ltd and 1% by Dr. Tang.

Step 10:Transfer of 10% equity interest of Shanghai Pujiang from Mr. Lu Lin to Xiong Ao and subscription of shares of the Company by Brilliance Benefit

On 3 September 2018, Xiong Ao entered into an equity transfer agreement with Mr. Lu Lin, pursuant to which Mr. Lu Lin transferred 9,000,000 shares of Shanghai Pujiang (equivalent to 10% of the issued share capital in Shanghai Pujiang), to Xiong Ao at a consideration of RMB9,000,000. On the same date, the Company issued and allotted and Brilliance Benefit subscribed and fully paid for 11,608 shares at the subscription price of HK$0.01 per share. Upon completion of the said subscriptions, the Company was owned by Elegant Kindness, Brilliant Benefit and Xinland Investment as to approximately 82.07%, 11.95% and 5.98%, respectively.

Step 11:Transfer of 4% equity interest of Shanghai Pujiang from Mr. Wang Jianhua to Xiong Ao and subscription of shares of the Company by Xinland Investment

On 3 September 2018, Xiong Ao entered into an equity transfer agreement with Mr. Wang Jianhua, pursuant to which Mr. Wang Jianhua transferred 3,600,000 shares of Shanghai Pujiang (equivalent to 4% of the issued share capital in Shanghai Pujiang), to Xiong Ao at a consideration of RMB3,600,000 and the registered capital was subsequently cancelled. The consideration was determined with reference to the amount of the registered capital of Shanghai Pujiang contributed by Mr. Wang Jianhua. On the same date, the Company issued and allotted and Xinland Investment subscribed and fully paid for 4,643 shares at the subscription price of HK$0.01 per Share. Upon completion of the said subscription, the Company was owned by Elegant Kindness, Xinland Investment and Brilliance Benefit as to approximately 78.32%, 10.27% and 11.41% respectively.

Step 12:Transfer of 1% equity interest of Shanghai Pujiang from Mr. Man Yat Man to Ossen Group Co., Ltd and subscription of shares of the Company by Five Standers

On 3 September 2018, Ossen Group Co., Ltd entered into an equity transfer agreement with Xiong Ao and Mr. Man Yat Man, pursuant to which Mr. Man Yat Man transferred 900,000 shares of Shanghai Pujiang (equivalent to 1% of the issued share capital in Shanghai Pujiang), to Ossen Group Co., Ltd at a consideration of RMB900,000. On the same date, the Company issued and allotted and Five Standers subscribed and fully paid for 1,161 Shares at the subscription price of HK$0.01 per Share. Upon completion of the said subscription, the Company was owned by Elegant Kindness, Xinland Investment, Brilliance Benefit and Five Standers as to approximately 77.44%, 10.15%, 11.28% and 1.13%, respectively.

Step 13:Transfer of 8% and 2% equity interest of Shanghai Pujiang from Kunshan Zhongke to Xiong Ao and Mr. Lu Lin respectively, and subscription of shares of the Company by Elegant Kindness

On 17 September 2018, Xiong Ao entered into an equity transfer agreement with Kunshan Zhongke, pursuant to which Kunshan Zhongke transferred 7,200,000 shares of Shanghai Pujiang (equivalent to 8% of the issued share capital in Shanghai Pujiang), to Xiong Ao at a consideration of RMB 42,000,000 and the registered capital was subsequently cancelled. On 21 September 2018, the Company issued and allotted and Elegant Kindness subscribed and fully paid for 9,122 shares at the subscription price of HK$0.01 per share. Upon completion of the said subscription, the Company was owned by Elegant Kindness, Xinland Investment, Brilliance Benefit and Five Standers as to approximately 79.28%, 9.32%, 10.36% and 1.04%, respectively. On 25 September 2018, Mr. Lu Lin entered into an equity transfer agreement with Kunshan Zhongke, pursuant to which Kunshan Zhongke transferred 1,800,000 shares of Shanghai Pujiang (equivalent to 2% of the issued share capital in Shanghai Pujiang), to Mr. Lu Lin at a consideration of RMB 10,500,000.

Step 14: Transfer of 2% equity interest of Shanghai Pujiang from Mr. Lu Lin to Xiong Ao and subscription of shares of the Company by Brilliance Benefit

On 28 September 2018, Xiong Ao entered into an equity transfer agreement with Mr. Lu Lin, pursuant to which Mr. Lu Lin transferred 1,800,000 shares of Shanghai Pujiang (equivalent to 2% of the issued share capital in Shanghai Pujiang), to Xiong Ao at a consideration of RMB1,800,000. On 28 September 2018, the Company issued and allotted and Brilliance Benefit subscribed and fully paid for 2,322 shares at the subscription price of HK$0.01 per share. Upon completion of the said subscription, the Company was owned by Elegant Kindness, Xinland Investment, Brilliance Benefit and Five Standers as to approximately 77.67%, 9.14%, 12.18% and 1.01%, respectively.

*Step 15: Transfer of 65.9% shareholding of Ossen Innovation Co., Ltd ("**Ossen Innovation**") from Effectual Strength to Acme Innovation*

On 7 August 2018, Fascinating Acme and Gross Inspiration transferred 600,000 shares and 600,000 shares of Ossen Innovation (equivalent to 3% and 3% of the issued share capital in Ossen Innovation) to Effectual Strength, respectively, in the consideration of US$516,400 and US$516,400. On 2 October 2018, Effectual Strength, Dr. Tang, Acme Innovation, the Company and Elegant Kindness entered into a sale and purchase agreement, pursuant to which Effectual Strength, transferred 13,050,000 shares of Ossen Innovation (equivalent to 65.9% of the issued share capital in Ossen Innovation) to Acme Innovation, in the consideration of allotment and issue of 54,404 shares of the Company (representing approximately 32.24% of the shareholding of the Company on an enlarged basis), credited as fully paid, to Elegant Kindness, at the direction of Effectual Strength. Upon completion of the said share transfer, Ossen Innovation is 65.9% owned by Acme Innovation and remains listed on NASDAQ, and the Company was owned by Elegant Kindness, Brilliance Benefit, Xinland Investment and Five Standers as to 84.87%, 8.25%, 6.19% and 0.69%.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the subsidiaries as set out below, all of which are private entities.

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	
		Directly	*Indirectly*			*Note*
Acme Innovation Limited	British Virgin Islands ("**BVI**"), 28 May 2018, limited liability company	100%	–	USD50,000	Investment holding, BVI	*(a)*
Ossen Innovation Co., Ltd	BVI, 21 January 2010, limited liability company	–	65.9%	USD50,000	Investment holding, BVI	*(b)*
Ossen Innovation Materials Group Co., Limited	BVI, 30 April 2010, limited liability company	–	65.9%	USD50,000	Investment holding, BVI	*(a)*
Ossen Group (Asia) Co., Limited	BVI, 7 February 2002, limited liability company	–	65.9%	USD50,000	Investment holding, BVI	*(a)*
Topchina Development Group Limited	BVI, 3 November 2004, limited liability company	–	65.9%	USD50,000	Investment holding, BVI	*(a)*
Ossen Innovation Materials Co., Limited* (奧盛新材料股份有限公司)	The People's Republic of China ("**PRC**"), 27 October 2004, limited liability company	–	53.38%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of customised prestressed steel materials, PRC	*(b)*

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company Directly	Percentage of equity attributable to the Company Indirectly	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
Ossen (Jiujiang) New Materials Co., Limited* (奧盛(九江)新材料有限公司)	PRC, 13 April 2005, limited liability company	–	63.33%	Registered and fully paid capital RMB183,271,074	Manufacture and sales of customised prestressed steel materials, PRC	*(b)*
Top Innovation Enterprises Limited	BVI, 28 May 2018, limited liability company	100%	–	USD50,000	Investment holding, BVI	*(a)*
Ossen Group Co., Ltd (奧盛集團有限公司)	Hong Kong, 21 September 2016, limited liability company	–	100%	HKD10,000	Investment holding, BVI	*(d)*
Shanghai Xiong Ao Enterprise Management Co., Ltd* (上海雄傲企業管理有限公司)	PRC, 5 June 2018, limited liability company	–	99%	Registered capital RMB1,006,985	Not yet commenced business	*(a)*
Shanghai Pujiang Cable Co., Limited* (上海浦江纜索股份有限公司)	PRC, 16 August 1994, limited liability company	–	98.52%	Registered and fully paid capital RMB90,000,000	Manufacture, installation and sales of cables, PRC	*(c)*
Zhejiang Pujiang Cable Co., Limited* (浙江浦江纜索有限公司)	PRC, 13 April 2006, limited liability company	–	98.52%	Registered and fully paid capital RMB75,000,000	Manufacture and sales of cable, PRC	*(c)*
Shanghai Pujiang Cable Installation Engineering Co., Limited* (上海浦江纜索安裝工程有限公司)	PRC, 28 July 2011, limited liability company	–	98.52%	Registered and fully paid capital RMB5,000,000	Provision of installation services, PRC	*(c)*

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

Notes:

(a) There are no statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(b) The statutory financial statements of these subsidiaries for the years ended 31 December 2016, 2017 and 2018 were audited by BDO China Shu Pan Certified Public Accountants LLP.

(c) The statutory financial statements of these subsidiaries for the year ended 31 December 2016 were audited by Shanghai Ruitong Certified Public Accountants LLP and for the year ended 31 December 2017 and 2018 were audited by Shanghai Shenya Certified Public Accountants Co., Ltd.

(d) The statutory financial statements of the subsidiary for the period from 21 September 2016 (date of incorporation) to 31 December 2017 and 2018 were audited by SBC CPA Limited.

(c) Basis of presentation

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 2 October 2018. The companies now comprising the Group were under the common control of Dr. Tang immediately before and after the completion of the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger method of accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

Accordingly, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the three years ended 31 December 2016, 2017 and 2018 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as of 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with the accounting policies set out below, which conform with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement

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

(c) Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company. All values in the Historical Financial Information are rounded to the nearest thousand except when otherwise indicated.

(d) Application of new and revised HKFRSs

For the purpose of preparing and presenting the Historical Financial Information, the Group has adopted all applicable new/revised HKFRSs and amendments effective for the accounting periods commencing from 1 January 2018 throughout the Track Record Period.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS("HKFRSS")

Application of HKFRS 9 and HKFRS 15

Effective for annual periods beginning on or after 1 January 2018, HKFRS9 Financial Instruments replaced the predecessor standard HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 15 Revenue from Contracts with Customers replaced the predecessor revenue standards HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations and earlier application is permitted. For the Purpose of preparing and presenting the Historical Financial Information, the Group has applied HKFRS 9 and HKFRS 15 consistently throughout the Track Record Period.

New and revised HKFRSs issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
Amendments to HKAS 1 (Revised)	Presentation of Financial statements[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKFRS 3 (Revised)	Business Combinations[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendment to HKFRS 3 Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2019

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

3 Business combinations for which the acquisition date is on or after 1 January 2020 and to asset acquisition that occur on or after the beginning of that period

4 Effective for annual periods beginning on or after 1 January 2021

5 No mandatory effective date yet determined but available for early adoption

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group plans to adopt the transitional provisions in HKFRS 16 retrospectively by recognising the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. As a practical expedient permitted by HKFRS 16, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group also plans to use the practical expedient allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB3.6 million. The management of the Group expect the adoption of HKFRS 16 in future will result in recognition of right-of-use assets with an offsetting liability in the statement of financial position. As for the statement of profit or loss and other comprehensive income, there will be a decrease in operating lease payments while increase in depreciation and interest expenses. Based on the result of preliminary assessment, the management of the Group consider that the net impact on the Group's financial performance is limited.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as HKFRS 16 described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to the financial statements of the Group.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3 Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, the acquirer is required to re-measure the entire previously held interest in that joint operation at fair value at the date of acquisition.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The acquisition method of accounting is used for all acquisitions of subsidiaries or businesses.

Under the acquisition method, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. For each business combination, the acquirer measures the non-controlling interest that represents a present ownership interest in the subsidiary in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

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

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

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

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

Buildings	Shorter of 2% – 10% or period of the lease term
Leasehold improvement	5% – 20%
Machineries	5% – 50%
Furniture and equipment	5% – 33.3%
Motor vehicles	20% – 25%
Construction in progress	Nil

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

(d) Prepaid land lease payments

Upfront payments made to acquire land for own use under operating lease is stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease as an expense except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

(e) Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

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

Technology know-how	5 years

(f) Inventories

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

(g) Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at Fair Value Through Profit or Loss ("**FVTPL**") or Fair Value Through Other Comprehensive Income ("**FVTOCI**").

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record Period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit loss ("**ECL**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other revenue" line item.

Impairment of financial assets

The Group recognised a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("**12m ECL**"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysis, government bodies, relevant think-tanks and other similar organisation, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing of forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there is a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

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

- When there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognised a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards or ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An entity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(h) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial instruments; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

(i) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(j) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of Track Record Period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

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

(k) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(l) Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognised revenue when it transfers control of a product or services to a customer. The Group recognised revenue from: (1) sales of customised prestressed steel materials and cables and (2) provision of installation services.

For the sales of customised prestressed steel materials and cables, there is only single performance obligation included in the contract, which is the transfer of goods from the Group to the customers. Customers would obtain the control of the goods at the point of transfer. As a result, such kind of revenue is recognised at a point in time when the single performance obligation is satisfied, i.e. when the goods is transferred to the customers.

For the provision of installation services, there is also only single performance obligation included in the contract, which is the provision of the installation service to customers.

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

There are warranties built into the installation contracts. The warranties are assurance services and no performance obligation is identified.

(m) Other revenue

Bank and other interest income in other revenue is recognised using the effective interest method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(n) Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the combined statement of financial position and transferred to profit or loss over the useful lives of the related assets.

(o) Income taxes

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(p) Provisions and contingent liabilities

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

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

(q) Impairment of assets (other than financial assets)

At the end of each of the Track Record Period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment
- prepaid land lease payments – non-current portion
- intangible assets

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(r) Cash and cash equivalents

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

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

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management services to the group or to the group's parent.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In addition to information disclosed elsewhere in this Financial Information, other key sources of estimation uncertainty that have significant risks or resulting material adjustments to the carrying amounts of assets and liabilities with next financial year for the Track Record Period are as follows:

(a) Timing of satisfaction of performance obligations

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

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

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

For the provision of installation services, the directors of the Company have assessed that the Group has an enforceable right to payment for the performance completed to date and does not create an alternative use for service provided. Therefore, the directors of the Company have satisfied that the performance obligations of the provision of the installation service are satisfied over time and recognised the relevant revenue over time.

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

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

(c) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method or specific cost method. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimation at each reporting date to ensure inventories are shown at the lower of cost and net realisable value.

(d) Impairment of trade and retention receivables, prepayment, deposits and other receivables

The Group estimates impairment losses of trade and retention receivables, prepayment, deposits and other receivables resulting from the inability of the customers and other debtors to make the required payments in accordance with accounting policy stated in Note 4(h)(ii). The Group bases the estimates on the ageing of the receivable balances, debtors' creditworthiness and historical write-off experience. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(e) Income tax and deferred tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. SEGMENT INFORMATION

Operating segments

During the Track Record Period, the Group has two reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- **Cables**

  provision of manufacture, installation and sale of cables

- **Prestressed steel materials**

  provision of manufacture and sale of customised prestressed steel materials

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

(a) Segment revenue and results

For the year ended 31 December 2016

	Cables	Prestressed steel materials	Elimination	Segment total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue to external customers	303,275	778,612	–	1,081,887	–	1,081,887
Segment profit/(loss) before income tax expenses	38,707	46,560	–	85,267	(433)	84,834

For the year ended 31 December 2017

	Cables	Prestressed steel materials	Elimination	Segment total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue to external customers	425,803	891,890	–	1,317,693	–	1,317,693
Segment profit/(loss) before income tax expenses	64,646	45,146	–	109,792	(8,943)	100,849

For the year ended 31 December 2018

	Cables	Prestressed steel materials	Elimination	Segment total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue to external customers	518,797	864,538	–	1,383,335	–	1,383,335
Segment profit/(loss) before income tax expenses	87,624	91,190	–	178,814	(6,363)	172,451

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Segment assets			
Cables	757,795	924,409	1,402,315
Prestressed steel materials	974,012	993,213	1,054,528
Segment assets	1,731,807	1,917,622	2,456,843
Unallocated	227	3,069	64,882
Combined total assets	1,732,034	1,920,691	2,521,725

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Segment liabilities			
Cables	463,839	570,607	975,245
Prestressed steel materials	253,420	234,847	275,126
Segment liabilities	717,259	805,454	1,250,371
Unallocated	7,205	18,557	26,089
Combined total liabilities	724,464	824,011	1,276,460

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

For the year ended 31 December 2016

	Cables	**Prestressed steel materials**	**Segment total**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	2,169	808	2,977	–	2,977
Government grants	4,623	454	5,077	–	5,077
Finance costs	22,806	17,624	40,430	–	40,430
Income tax expenses	3,196	6,760	9,956	–	9,956
Amortisation of prepaid land lease payments	146	617	763	–	763
Depreciation of property, plant and equipment	7,065	5,320	12,385	–	12,385
Impairment loss recognised on trade receivables and retention receivables	2,458	2,048	4,506	–	4,506
Impairment loss (reversed)/recognised on deposits and other receivables	(980)	4	(976)	–	(976)
Impairment loss recognised on inventories	–	835	835	–	835
Additions to non-current assets	1,180	116	1,296	–	1,296
(Loss)/gain on disposal of property, plant and equipment	1	(10)	(9)	–	(9)

For the year ended 31 December 2017

	Cables	**Prestressed steel materials**	**Segment total**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	5,212	792	6,004	–	6,004
Government grants	4,244	1,005	5,249	–	5,249
Finance costs	24,567	9,902	34,469	–	34,469
Income tax expenses	7,614	4,563	12,177	–	12,177
Amortisation of prepaid land lease payments	146	616	762	–	762
Depreciation of property, plant and equipment	6,050	4,762	10,812	–	10,812
Impairment loss recognised on trade receivables and retention receivables	381	(1,162)	(781)	–	(781)
Impairment loss recognised/(reversed) on deposits and other receivables	2,342	(3)	2,339	–	2,339
Additions to non-current assets	1,740	256	1,996	–	1,996

For the year ended 31 December 2018

	Cables	**Prestressed steel materials**	**Segment total**	**Unallocated**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest income	4,169	799	4,968	–	4,968
Government grants	5,127	1,296	6,423	–	6,423
Finance costs	44,214	10,444	54,658	–	54,658
Income tax expenses	11,786	12,067	23,853	–	23,853
Amortisation of prepaid land lease payments	146	617	763	–	763
Depreciation of property, plant and equipment	5,222	3,633	8,855	–	8,855
Impairment loss recognised on trade receivables and retention receivables	3,130	785	3,915	–	3,915
Impairment loss (reversed)/ recognised on deposits and other receivables	192	(2)	190	–	190
Additions to non-current assets	2,780	479	3,259	–	3,259
(Loss)/gain on disposal of property, plant and equipment	(14)	–	(14)	–	(14)

(d) Geographical information and major customers

The Group's revenue from external customers is derived mainly from its operations in the PRC, where all its non-current assets are located. Over 90% of the Group's revenue is from external customers in the PRC during the Track Record Period.

(e) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Customer A[1]	338,867	274,590	*[2]

Notes:

1 Revenue from sales of prestressed steel materials.

2 Less than 10% of the Group's revenue.

7. REVENUE

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

All the Group's revenue is derived from contracts with customers.

The following table provides information about trade and retention receivables, contract assets and contract liabilities from contracts with customers.

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade and retention receivables	472,343	545,044	803,198
Contract liabilities	18,470	40,556	46,298
	490,813	585,600	849,496

Assets recognised from incremental costs to obtain a contract

During the Track Record Period, there was no significant incremental costs to obtain a contract.

Details of contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	18,470	40,556	46,298

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increase as a result of the growth of the Group's business.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting year carried-forward contract liabilities.

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year			
Manufacture, installation and sale of cables	1,112	863	9,434
Manufacture and sale of customised prestressed steel materials	6,332	5,360	3,462
	7,444	6,223	12,896

Disaggregation of revenue

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Manufacture, installation and sale of cables	303,275	425,803	518,797
Manufacture and sale of customised prestressed steel materials	778,612	891,890	864,538
	1,081,887	1,317,693	1,383,335

Timing of revenue recognition

The following amounts represent revenue recognised over time and at a point in time:

At a point in time

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Sales of customised prestressed steel materials and cables	1,072,725	1,309,322	1,371,757

Over time

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Provision of installation services	9,162	8,371	11,578

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 4. Accordingly, the Group has two reportable segments and analysis of these two segments are present in Note 6.

Unsatisfied performance obligations

As at 31 December 2016, 2017 and 2018, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) were approximately RMB93,984,000, RMB270,753,000, and RMB323,014,000 respectively. Management expects that the unsatisfied performance obligations at each reporting date will be recognised as revenue in the subsequent one to three years based on the contract period and the timing of the transfer of those goods and services is at the discretion of the customers.

8. OTHER REVENUE

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Bank and other interest income	2,977	6,004	4,968
Government grants *(Note i)*	5,077	5,249	6,423
Sundry income	376	153	117
	8,430	11,406	11,508

Note:

(i) Government grants mainly represent grants received from the PRC local government authority as subsidies to the Group for (a) incentive of technology innovation projects and (b) subsidy for financing.

9. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Exchange gain/(loss), net	147	(344)	19
Loss on disposal of property, plant and equipment	(9)	–	(14)
Impairment loss (recognised)/reversed on trade and retention receivables	(4,506)	781	(3,915)
ECL (recognised)/reversed on deposits and other receivables	976	(2,339)	(190)
	(3,392)	(1,902)	(4,100)

10. FINANCE COSTS

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on bank borrowings	31,413	34,469	54,658
Interest expense on bond	7,351	–	–
Handling charge for bond	1,666	–	–
	40,430	34,469	54,658

11. PROFIT BEFORE INCOME TAX EXPENSE

The Group's operating profit is arrived at after charging:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Auditors' remuneration	1,464	1,643	1,079
Cost of inventories sold *(Note i)*	867,432	1,071,786	1,056,834
Listing expenses – A-share Listing	250	–	–
[REDACTED] expenses – HKEX	–	8,614	6,245
Minimum lease payments under operating lease	637	579	755
Employee costs *(Note 12)*	26,120	30,152	31,784

Note:

(i) Cost of inventories sold for the year ended 31 December 2016, 2017 and 2018 includes RMB43,400,000, RMB44,552,000 and RMB46,905,000 of staff costs, depreciation, subcontracting fee, provision of obsolete stock and other manufacturing overheads which are also included in the respective total amounts disclosed above for each of these types of expenses respectively.

12. EMPLOYEE COSTS

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Employee costs (including directors' emoluments *(Note 13)*) comprise:			
Wages and salaries	18,190	21,761	22,599
Contributions to retirement benefits scheme	5,287	5,633	6,262
Other employee benefits	2,643	2,758	2,923
	26,120	30,152	31,784

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

	Year ended 31 December 2018			
	Fees	**Salaries, allowances and benefits in kind**	**Contributions to retirement benefits scheme**	**Total emoluments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Dr. Tang Liang	–	–	–	–
Mr. Zhou Xufeng	–	50	2	52
Ms. Zhang Weiwen	–	–	–	–
Mr. Ni Xiaofeng	–	–	–	–
	–	50	2	52
Independent non-executive directors:				
Ms. Pan Yingli	–	–	–	–
Mr. Chen Dewei	–	–	–	–
Mr. Zhang Bihong	–	–	–	–
	–	–	–	–
	–	50	2	52

Notes:

(i) Dr. Tang Liang is also the Chairman of the Company and appointed as executive director on 26 April 2017.

(ii) Mr. Zhou Xufeng is also the Chief Executive Officer of the Company and appointed as executive director on 12 November 2018.

(iii) Ms. Zhang Weiwen and Mr. Ni Xiaofeng were being appointed as executive director on 12 November 2018.

(iv) Ms. Pan Yingli, Mr. Chen Dewei and Mr. Zhang Bihong were being appointed as independent non-executive director on 24 April 2019.

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

(ii) Five highest paid individuals

The five highest paid individuals of the Group included zero, zero and one director for the years ended 31 December 2016, 2017 and 2018 respectively, whose emoluments are reflected in note 13(i).

The analysis of the emolument of the remaining five highest paid individuals for the years ended 31 December 2016, 2017 and 2018, respectively, are set out below:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	592	592	597
Contributions to retirement benefits scheme	234	231	231
	826	823	828

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
Nil to RMB1,000,000	5	5	4

During the Track Record Period, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management emolument band

The number of senior management whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil to HK$1,000,000 (Nil to RMB847,000)	4	4	4
HK$1,000,001 to HK$2,000,000 (RMB847,001 to RMB1,694,000)	–	–	–
	4	4	4

14. INCOME TAX EXPENSE

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

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – PRC Enterprise Income Tax (the "**PRC EIT**")			
– for the year	10,703	12,128	23,459
– Under/(over) provision in the prior years	670	(100)	758
	11,373	12,028	24,217
Deferred tax *(Note 20)*			
– for the year	(1,417)	149	(364)
Income tax expenses	9,956	12,177	23,853

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company incorporated in the Cayman Islands and the Company's subsidiaries incorporated in British Virgin Islands are not subject to any income tax.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the following subsidiaries.

Ossen Innovation Materials Co., Limited, Ossen (Jiujiang) New Materials Co., Limited, Shanghai Pujiang Cable Co., Limited and Zhejiang Pujiang Cable Co., Limited are recognised as a High and New-Tech enterprises according to the PRC tax regulations and are entitled to a preferential tax rate of 15% for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax expense	84,834	100,849	172,451
Tax calculated at the applicable statutory tax rate of 25%	21,209	25,212	43,112
Expenses not deductible for tax purposes	206	2,453	2,519
Effect of tax exemptions granted to PRC subsidiaries	(8,391)	(10,865)	(17,245)
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(2,663)	(4,519)	(5,291)
Tax effect of temporary difference not recognised	–	–	–
Utilisation of unrecognised tax loss	(1,075)	–	–
Under/(over) provision in prior years	670	(104)	758
	9,956	12,177	23,853

The weighted average applicable tax rate was 11.7%, 12.1% and 13.8% for the years ended 31 December 2016, 2017 and 2018 respectively.

15. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

16. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Track Record Period on a combined basis as disclosed in Note 1.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Machineries	Motor vehicles	Furniture and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2016	114,818	2,445	119,780	4,937	24,471	–	266,451
Additions	–	–	581	498	217	–	1,296
Disposals	–	–	(92)	–	(72)	–	(164)
At 31 December 2016	114,818	2,445	120,269	5,435	24,616	–	267,583
Additions	–	–	1,225	335	436	–	1,996
At 31 December 2017	114,818	2,445	121,494	5,770	25,052	–	269,579
Addition	–	–	2,294	281	638	46	3,259
Disposals	–	–	(449)	(213)	(322)	–	(984)
At 31 December 2018	114,818	2,445	123,339	5,838	25,368	46	271,854
Accumulated depreciation							
At 1 January 2016	35,260	1,642	87,253	4,030	19,066	–	147,251
Provided for the year	4,313	157	6,473	348	1,094	–	12,385
Eliminated on disposals	–	–	(90)	–	(48)	–	(138)
At 31 December 2016	39,573	1,799	93,636	4,378	20,112	–	159,498
Provided for the year	4,267	151	5,279	322	793	–	10,812
At 31 December 2017	43,840	1,950	98,915	4,700	20,905	–	170,310
Provided for the year	3,650	66	3,947	255	937	–	8,855
Eliminated on disposals	–	–	(403)	(205)	(321)	–	(929)
At 31 December 2018	47,490	2,016	102,459	4,750	21,521	–	178,236
Net book value							
At 31 December 2018	67,328	429	20,880	1,088	3,847	46	93,618
At 31 December 2017	70,978	495	22,579	1,070	4,147	–	99,269
At 31 December 2016	75,245	646	26,633	1,057	4,504	–	108,085

At 31 December 2016, 2017 and 2018, the Group's buildings and leasehold improvement with an aggregate carrying amount of approximately RMB68,831,000, RMB65,140,000 and RMB62,121,000 respectively were pledged to secure banking facilities granted to the Group (Note 29).

As at 31 December 2016, 2017 and 2018, the Group's buildings, leasehold improvement and machinery with an aggregate carrying amount of approximately RMB7,059,000, RMB6,333,000 and RMB Nil respectively were pledged to secure banking facilities granted to an unrelated company, Zhangjiagang Free Trade Zone Nanxihang International Trading Co., Limited (張家港保稅區南錫行國際貿易有限公司) (Note 39).

18. PREPAID LAND LEASE PAYMENTS

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	31,515	30,752	29,990
Amortised during the year	(763)	(762)	(763)
	30,752	29,990	29,227
Represented by:			
Current portion	762	762	762
Non-current portion	29,990	29,228	28,465
	30,752	29,990	29,227

At 31 December 2016, 2017 and 2018, the Group's leasehold land with an aggregate carrying amount of approximately RMB21,771,000, RMB21,240,000 and RMB20,708,000, respectively was pledged to secure banking facilities granted to the Group (Note 29).

As at 31 December 2016, the Group's leasehold land with an aggregate carrying amount of approximately RMB8,981,000 respectively were pledged to secure banking facilities granted to an unrelated company, Zhangjiagang Sha Jing Steel Trading Company Limited (張家港沙璟鋼鐵貿易有限公司) (Note 39).

As at 31 December 2017, the Group's leasehold land with an aggregate carrying amount of approximately RMB8,750,000 were pledged to secure banking facilities granted to an unrelated company, Zhangjiagang Free Trade Zone Nanxihang International Trading Co., Limited (張家港保稅區南錫行國際貿易有限公司) (Note 39).

As at 31 December 2018, no leasehold land has been pledged by the Group to secure the banking facilities granted to unrelated company.

19. INTANGIBLE ASSETS

	Technology know-how *RMB'000*
Cost	
At 1 January 2016, 31 December 2016, 2017 and 2018	6,250
Accumulated depreciation	
At 1 January 2016, 31 December 2016, 2017 and 2018	6,250
Net book value	
At 31 December 2018	–
At 31 December 2017	–
At 31 December 2016	–

20. DEFERRED TAX ASSETS

	Accrued expenses *RMB'000*	**Others** *(Note i)* *RMB'000*	**Total** *RMB'000*
At 1 January 2016	1,320	3,075	4,395
Charged to profit or loss for the year	763	654	1,417
At 31 December 2016 and 1 January 2017	2,083	3,729	5,812
Charged to profit or loss for the year	(379)	230	(149)
At 31 December 2017 and 1 January 2018	1,704	3,959	5,663
Charged to profit or loss for the year	1,097	(733)	364
At 31 December 2018	2,801	3,226	6,027

Notes:

(i) The amount represents mainly deferred tax assets arising from provision for impairment loss of trade receivables and retention money, other receivables and inventories at the amounts of RMB19,378,000, RMB4,627,000 and RMB835,000 respectively as at 31 December 2016, at the amounts of RMB18,597,000, RMB6,965,000 and Nil respectively as at 31 December 2017 and at the amounts of RMB22,512,000, RMB6,070,000 and Nil respectively as at 31 December 2018.

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

As at the end of each of the Track Record Period, no deferred tax liability has been recognised for withholding taxes that would be payable on the undistributed earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. The temporary differences associated with investment in subsidiaries in PRC for which deferred tax liabilities have not been recognised for the impact of dividend withholding tax.

In the opinion of the directors, the Group does not have a dividends policy and the undistributed earnings will be retained in the PRC for the expansion of the Group's operation, so it is not probable that the subsidiaries will distribute such earnings to foreign entities in the foreseeable future.

21. INVENTORIES

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	210,024	110,988	109,615
Work-in-Progress	6,601	17,312	31,819
Finished goods	10,600	9,952	36,094
	227,225	138,252	177,528
Less: provision for impairment on inventories	(835)	(835)	(835)
	226,390	137,417	176,693

22. TRADE, RETENTION AND BILLS RECEIVABLES

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	418,389	483,364	757,035
Retention receivables	73,332	80,277	68,675
Less: allowance for doubtful debts	(19,378)	(18,597)	(22,512)
Trade and retention receivables, net	472,343	545,044	803,198
Bills receivables	106,000	–	–
	578,343	545,044	803,198

The Group grants a credit period within 0-90 days to its trade customers. Included in trade and retention receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on the payment due dates, as of the end of the Track Record Period.

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	170,976	186,698	209,844
Less than 3 month past due	162,304	67,816	254,894
3 – 6 months past due	19,864	184,381	163,362
7 – 12 months past due	37,046	38,736	88,778
More than 1 year past due but less than 2 years past due	32,247	46,860	48,103
More than 2 years past due but less than 3 years past due	25,606	9,763	31,161
More than 3 years past due but less than 4 years past due	18,035	6,972	2,443
More than 4 years past due but less than 5 years past due	6,265	3,818	4,613
	472,343	545,044	803,198

Trade and retention receivables that were neither past due nor impaired relate to customers for whom there is no recent history of default.

Trade and retention receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience, management is of the opinion that no provision for impairment is necessary in respect of these receivables as credit quality and the amounts are either settled subsequently or still considered recoverable.

No interest is charged on the overdue trade and retention receivables. The Group has fully provided for all trade and retention receivables over 5 years as, based on historical experience, trade and retention receivables that are past due beyond 5 years are generally not recoverable. Trade and retention receivables between 1 year and 5 years have been provided for based on estimated irrecoverable amounts, determined by reference to past default experiences.

The Group had a concentration of credit risk as certain of the Group's trade receivables were due from the Group's five largest customers as detailed below.

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Five largest customers	173,678	245,458	241,242

Movements in the allowance for doubtful debts are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	14,872	19,378	18,597
Impairment loss recognised/(reversed) on trade and retention receivables	4,506	(781)	3,915
Balance at end of the year	19,378	18,597	22,512

At 31 December 2016, 2017 and 2018, the Group's trade and retention receivables included the allowance for doubtful debts with an aggregate balance of RMB19,378,000, RMB18,597,000 and RMB22,512,000 respectively was individually determined to be impaired.

As at 31 December 2018. the Group's certain trade and retention receivables were pledged to secure banking facilities granted to the Group (Note 28).

Transferred financial assets that are derecognised in their entirety

At 31 December 2016, 2017 and 2018, the Group endorsed certain bills receivables accepted by banks in Mainland China (the "**Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers or to be payment in advance to suppliers with a carrying amount in aggregate of RMB27,907,000, RMB6,000,000 and nil respectively. The Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Bills. Accordingly, it has derecognised the full carrying amounts of the Bills and the associated trade payables or payment in advance to suppliers.

23. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At each of the end of the reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of the financial position.

In order to minimise credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past due amounts within 1 year	12-months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	Amount is >5 years past due or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For trade and retention receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group has assessed expected credit loss by grouping the receivables based on shared credit risk characteristics. Accordingly, the Group is of the view that the expected credit loss rate to be consistent throughout the Track Record Period, by taking into consideration of the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Group assessed that there were no significant change in the actual credit loss rate over the Track Record Period. The following tables detail the risk profile of trade receivables:

Trade and retention receivables

At 31 December 2016	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	1%	5%	10%	20%	20%	100%	3%
Estimated total gross carrying amount at default *(RMB'000)*	394,130	33,944	28,451	22,459	7,831	4,906	491,721
Lifetime ECL *(RMB'000)*	(3,940)	(1,697)	(2,845)	(4,424)	(1,566)	(4,906)	(19,378)
	390,190	32,247	25,606	18,035	6,265	–	472,343

At 31 December 2017	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	1%	5%	10%	20%	20%	100%	3%
Estimated total gross carrying amount at default *(RMB'000)*	482,457	49,326	10,848	8,715	4,772	7,523	563,641
Lifetime ECL *(RMB'000)*	(4,826)	(2,466)	(1,085)	(1,743)	(954)	(7,523)	(18,597)
	477,631	46,860	9,763	6,972	3,818	–	545,044

At 31 December 2018	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	1%	5%	10%	20%	20%	100%	3%
Estimated total gross carrying amount at default *(RMB'000)*	724,121	50,635	34,623	3,054	5,766	7,511	825,710
Lifetime ECL *(RMB'000)*	(7,243)	(2,532)	(3,462)	(611)	(1,153)	(7,511)	(22,512)
	716,878	48,103	31,161	2,443	4,613	–	803,198

For the purpose of the impairment assessment for other receivables and deposits, the loss allowance is measured at an amount equal to 12 month ECL. In determining the ECL for these financial assets, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The following tables detail the risk profile of other receivables and deposits:

Other receivables

At 31 December 2016	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	3%	3%	N/A	3%	N/A	N/A	3%
Estimated total gross carrying amount at default *(RMB'000)*	198	30	–	115	–	–	343
12 month ECL *(RMB'000)*	(5)	(1)	–	(3)	–	–	(9)
	193	29	–	112	–	–	334

At 31 December 2017	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	3%	2%	3%	3%	0%	5%	3%
Estimated total gross carrying amount at default *(RMB'000)*	233	83	162	97	5	20	600
12 month ECL *(RMB'000)*	(7)	(2)	(5)	(3)	–	(1)	(18)
	226	81	157	94	5	19	582

At 31 December 2018	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	3%	2%	3%	3%	3%	5%	3%
Estimated total gross carrying amount at default *(RMB'000)*	2,977	371	70	12	489	33	3,952
12 month ECL *(RMB'000)*	(88)	(11)	(2)	–	(14)	(1)	(116)
	2,889	360	68	12	475	32	3,836

Deposits

At 31 December 2016	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	2%	2%	N/A	1%	50%	100%	4%
Estimated total gross carrying amount at default *(RMB'000)*	35,540	81,813	–	1,764	300	1,732	121,149
12 month ECL *(RMB'000)*	(875)	(1,842)	–	(18)	(150)	(1,732)	(4,617)
	34,665	79,971	–	1,746	150	–	116,532

At 31 December 2017	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	2%	1%	1%	1%	N/A	100%	2%
Estimated total gross carrying amount at default *(RMB'000)*	172,926	98,712	10,757	452	–	1,443	284,290
12 month ECL *(RMB'000)*	(4,259)	(1,134)	(107)	(4)	–	(1,443)	(6,947)
	168,667	97,578	10,650	448	–	–	277,343

At 31 December 2018	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
Expected credit loss rate	2%	1%	N/A	N/A	N/A	100%	2%
Estimated total gross carrying amount at default *(RMB'000)*	213,737	29,450	–	–	–	396	243,583
12 month ECL *(RMB'000)*	(5,263)	(295)	-	-	-	(396)	(5,954)
	208,474	29,155	–	–	–	–	237,629

Note 37 details the Group's credit risk management policies.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Prepayments	440,169	700,803	961,749
Deposits	54,706	257,955	243,583
Other receivables	1,450	889	3,952
ECL	(4,626)	(6,965)	(6,070)
	491,699	952,682	1,203,214
Non-current:			
Deposits	66,443	26,335	16,694
	558,142	979,017	1,219,908

Prepayments, deposits and other receivables under current portion as at 31 December 2016, 2017 and 2018 were neither past due nor impaired relate to customers for whom there is no recent history of default. Financial assets included in these balances are non-interest bearing and relate to receivables for which there was no history of default and are expected to be realised upon their respective expiry dates.

25. RESTRICTED BANK DEPOSITS/ CASH AND CASH EQUIVALENTS

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances *(Note (a))*	224,510	124,291	193,054
Less: restricted bank deposits *(Note (b))*	(119,629)	(110,720)	(131,653)
Cash and cash equivalents	104,881	13,571	61,401

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

Notes:

(a) At 31 December 2016, 2017 and 2018, the Group's cash and bank balances denominated in RMB amounted to approximately RMB223,633,000, RMB121,115,000 and RMB192,547,000 respectively were not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

(b) All domestic and overseas cash transactions of more than RMB200,000 have to be reported to the State Administration of Foreign Exchange.

On 31 December 2016, the People's Bank of China issued Measures for the Administration of Financial Institutions' Reporting of High-Value Transactions and Suspicious Transactions, under the new rules, starting from 1 July 2017, banks and other financial institutions in the PRC will have to report all domestic and overseas cash transactions of more than RMB50,000.

(c) At 31 December 2016, 2017 and 2018, the Group pledged its bank deposits in order to fulfil collateral requirements for bills payables (Note 26), letter of credit and demand guarantee.

26. TRADE AND BILLS PAYABLES

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(Note (a))*	45,216	30,057	56,317
Bills payables	238,975	203,842	343,932
	284,191	233,899	400,249

Note: (a) An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	19,730	13,849	37,247
Within 4 – 6 months	4,098	5,376	4,054
Within 7 – 12 months	5,558	3,897	8,851
More than 1 year but less than 2 years	3,976	1,121	3,131
More than 2 year but less than 3 years	5,246	483	417
More than 3 year but less than 4 years	999	373	305
More than 4 year but less than 5 years	3,966	832	187
Over 5 years	1,643	4,126	2,125
	45,216	30,057	56,317

The Group's trade payables are non-interest bearing and generally have payment terms of 0 to 90 days.

All the bills payables of the Group were not yet due at the end of the reporting period.

As at 31 December 2016, 2017 and 2018, bills payables of RMB119,500,000, RMB153,410,000 and RMB170,710,000 were secured by the Group's restricted bank deposits of RMB62,400,000, RMB72,923,000 and RMB69,220,000 respectively (Note 25).

27. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Other payables	11,350	17,683	27,386
Accruals	9,733	29,854	37,172
	21,083	47,537	64,558

Deposits received, other payables and accruals are non-interest bearing and are expected to be realised within twelve months from the respective reporting dates.

28. BANK BORROWINGS

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Secured interest-bearing			
–short-term bank loans	337,437	433,437	730,994
Non-current			
Secured interest-bearing			
–long-term bank loans	50,000	50,000	–
	387,437	483,437	730,994
Analysed based on scheduled repayment terms set out in the loan agreements, into:			
Repayable on demand or within one year	337,437	433,437	730,994
More than one year, but not exceeding two years	–	–	–
More than two years, but not exceeding five years	50,000	50,000	–
	387,437	483,437	730,994

The bank borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 0.01% to 6.29%, 0.05% to 8.00% and 0.04% to 8.00% at 31 December 2016, 2017 and 2018 respectively.

The bank loans are secured by:

(a) certain buildings, leasehold improvement and machineries included in property, plant and equipment (Note 17) and prepaid land lease payments (Note 18) and trade and retention receivables (note 22);

(b) personal guarantees executed by Dr. Tang Liang, a director of the Company, and corporate guarantees given by independent third parties and Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) New Materials Co. Limited, Shanghai Ossen Investment Holdings (Group) Co. Limited, Shanghai Ossen Investment Co. Limited, Ossen Innovation Materials Co. Limited, Shanghai Ossen Material Research Institute Co. Limited and Shanghai Pujiang Cable Co., Limited.

29. AMOUNTS DUE TO A SHAREHOLDER/RELATED PARTIES

As at 31 December 2016, 2017 and 2018, the amounts due to a shareholder and related parties are unsecured, interest-free and repayable on demand.

30. SHARE CAPITAL

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

	Share capital	
	Number	*RMB'000*
Issued and fully paid		
Ordinary share of HK$0.01 each		
Upon incorporation *(Note (a))*	1	–*
At 31 December 2017	1	–*
Share issuance *(Note (b)-(g))*	168,759	1
At 31 December 2018	168,760	1

Note (a): The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 April 2017 with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, one ordinary share of HK$0.01 was allocated and issued by the Company.

Note (b): On 28 June 2018, 79,695 ordinary shares of HK$0.01 was allocated and issued by the Company.

Note (c): On 4 July 2018, 5,804 ordinary shares of HK$0.01 was allocated and issued by the Company;

Note (d): On 3 September 2018, 17,412 ordinary shares of HK$0.01 was allocated and issued by the Company;

Note (e): On 21 September 2018, 9,122 ordinary shares of HK$0.01 was allocated and issued by the Company;

Note (f): On 28 September 2018, 2,322 ordinary shares of HK$0.01 was allocated and issued by the Company;

Note (g): On 2 October 2018, 54,404 ordinary shares of HK$0.01 was allocated and issued by the Company.

* Represents amount less than RMB1,000.

31. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the Track Record Period are set out in the combined statements of changes in equity.

(b) The Company

The movement in the reserves of the Company from 26 April 2017 (date of incorporation) to 31 December 2017 and 2018 is presented below:

	Accumulated losses
	RMB'000
As at 26 April 2017	–
Loss and total comprehensive income for the period	8,614
As at 31 December 2017 and 1 January 2018	8,614
Loss and total comprehensive income for the period	6,245
As at 31 December 2018	14,859

(c) The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Capital reserve	(i) capital injection in excess of registered capital of Shanghai Pujiang Cable Co., Limited, Ossen Innovation Materials Co., Limited and Ossen (Jiujiang) New Materials Co., Limited. (ii) an amount due to Ossen Innovation Co., Ltd.("**OSN**") which originally owns 100% equity interests of Topchina Development Group Ltd. ("**Topchina**") that such liability would be waived and regarded as capital contribution when the Reorganisation and the carve-out of Topchina from OSN were completed, and the whole liability would be deemed as capital reserve as if it occurred for the Track Record Period.
Statutory reserve	Pursuant to relevant laws and regulations in the PRC, it is required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to reserve fund at rates not less than 10% until the reserve fund balance reaches 50% of its registered capital. The reserve fund can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.
Merger reserve	It represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of PRC subsidiaries acquired pursuant to the Group Reorganisation.
Translation reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Retained earnings	Cumulative net gains and loss recognised in profit and loss.

32. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of equity interest and voting rights held by non-controlling interests Year ended 31 December 2016	2017	2018
Shanghai Pujiang Cable Co., Limited and its subsidiaries ("**PJ Group**")	1.48%	1.48%	1.48%
Ossen Innovation Materials Co., Limited	46.62%	46.62%	46.62%
Ossen (Jiujiang) New Materials Co. Limited	36.67%	36.67%	36.67%

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	Year ended 31 December 2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
PJ Group			
Revenue	303,275	425,803	518,797
Profit for the year	35,509	56,678	76,906
Total comprehensive income	35,509	56,678	76,906
Profit allocated to NCI	521	840	1,146
For the year ended 31 December			
Cash flows (used in)/from operating activities	(1,566)	(207,503)	(136,502)
Cash flows from/(used in) investing activities	32,060	13,672	(18,490)
Cash flows from/(used in) financing activities	17,073	97,821	200,950
Net cash inflows/(outflows)	47,567	(96,010)	45,958

	As at 31 December 2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*
Current assets	687,254	814,776	1,336,674
Non-current assets	154,172	109,633	98,660
Current liabilities	(548,009)	(574,345)	(1,007,792)
Non-current liabilities	–	–	–
Net assets	293,417	350,064	427,542
Accumulated non-controlling interests	4,229	5,069	6,215

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Ossen Innovation Materials Co., Limited			
Revenue	392,696	404,553	427,111
Profit for the year	15,128	14,251	25,554
Total comprehensive income	14,767	14,251	25,554
Profit allocated to NCI	6,885	6,644	11,913
For the year ended 31 December			
Cash flows (used in)/from operating activities	(67,203)	42,980	(780)
Cash flows from/(used in) investing activities	35,525	(9,935)	4,904
Cash flows from/(used in) financing activities	30,484	(31,825)	(4,007)
Net cash inflows/(outflows)	(1,194)	1,220	117

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	409,073	403,444	427,017
Non-current assets	21,922	19,794	56,887
Current liabilities	(86,990)	(64,980)	(112,593)
Non-current liabilities	(50,000)	(50,000)	–
Net assets	294,005	308,258	371,311
Accumulated non-controlling interests	101,693	108,578	120,491

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Ossen (Jiujiang) New Materials Co., Limited			
Revenue	386,255	491,231	475,839
Profit for the year	24,672	26,683	53,569
Total comprehensive income	23,921	26,683	53,569
Profit allocated to NCI	8,771	9,785	19,643
For the year ended 31 December			
Cash flows (used in)/from operating activities	(3,095)	24,818	11,017
Cash flows from/(used in) investing activities	362	15,263	(5,593)
Cash flows from/(used in) financing activities	659	(36,571)	(4,072)
Net cash (outflows)/inflows	(2,074)	3,510	1,352

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	509,089	542,619	642,456
Non-current assets	34,236	31,066	27,823
Current liabilities	(116,738)	(120,414)	(163,440)
Non-current liabilities	–	–	–
Net assets	426,587	453,271	506,839
Accumulated non-controlling interests	89,559	98,330	117,973

33. INTEREST IN A SUBSIDIARY

The Company

	As at 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Unlisted investment, at cost	–	–

Particulars of the directly and indirectly held subsidiaries of the Company are set out on page 19 and 20 of this report.

34. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2016, 2017 and 2018, the Group has given corporate guarantees to various banks to secure banking facilities granted to certain related parties to the extent carrying value of RMB378,000,000, RMB28,000,000 and RMB Nil respectively.

As at 31 December 2016, 2017 and 2018, the Group has given corporate guarantees to various banks and a financial institution by the pledge of certain buildings, leasehold improvement, machinery (Note 17) and prepaid land lease payments (Note 18) to secure banking facilities granted to certain unrelated companies to the extent carrying value of RMB16,040,000, RMB15,083,000 and RMB Nil respectively.

Under the guarantees, the Group would be liable to pay the holders of these guarantees in the event of any default. In the opinion of the directors, the fair value of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote, and accordingly, no value has been recognised as at 31 December 2016, 2017 and 2018.

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Historical Financial Information, there are no related party transactions for the Track Record Period.

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the Track Record Period are set out in Note 13 to the Historical Financial Information.

36. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are trade, retention and bills receivables, other receivables, restricted bank deposits and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade and bills payables, other payables and accruals, bond payables, bank borrowings, amount due to a shareholder and amounts due to related parties. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each of the Track Record Period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and, deposits with banks.

The Group's customers are mainly reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Track Record Period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Track Record Period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the Track Record Period.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 year	More than 2 year but less than 5 years	More than 5 year
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2016						
Trade and bills payables	284,191	284,191	284,191	–	–	–
Other payables and accruals	14,190	14,190	14,190	–	–	–
Bank borrowings	387,437	407,947	347,295	–	60,652	–
Amount due to a shareholder	6,986	6,986	6,986	–	–	–
Amounts due to related parties	27	27	27	–	–	–
	692,831	713,341	652,689	–	60,652	–
As at 31 December 2017						
Trade and bills payables	233,899	233,899	233,899	–	–	–
Other payables and accruals	25,586	25,586	25,586	–	–	–
Bank borrowings	483,437	519,693	463,041	56,652	–	–
Amount due to a shareholder	12,029	12,029	12,029	–	–	–
	754,951	791,207	734,555	56,652	–	–
As at 31 December 2018						
Trade and bills payables	400,249	400,249	400,249	–	–	–
Other payables and accruals	36,238	36,238	36,238	–	–	–
Bank borrowings	730,994	763,135	763,135	–	–	–
Amount due to a shareholder	18,730	18,730	18,730	–	–	–
	1,186,211	1,218,352	1,218,352	–	–	–

At 31 December 2016, 2017 and 2018, the aggregate undiscounted principal amounts of these loans amounted to approximately RMB387,100,000, RMB482,885,000 and RMB730,050,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

	Less than 1 month	1 to 3 months	3 to 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings					
At 31 December 2018	5,000	42,063	639,027	44,904	730,994
At 31 December 2017	11,700	41,280	185,457	245,000	483,437
At 31 December 2016	11,700	81,280	244,457	50,000	387,437

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk as certain of its bank borrowings are subject to floating interest rates. The interest rates and terms of repayment of the Group's borrowings are disclosed in Note 28 to the financial statements.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table illustrates the sensitivity of the profit for the year and retained profits to a change in interest rates of +100 basis point and -100 basis point with effect from the beginning of the year. The calculations are based on the Group's interest-bearing bank borrowings held at each reporting date which are subject to variable interest rates. All other variables are held constant.

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
If interest rates were 100 basis point higher			
Net profit for the year and retained profits decreased by	1,932	3,432	5,730
If interest rates were 100 basis point lower			
Net profit for the year and retained profits increased by	1,932	3,432	5,730

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

(d) Foreign currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in functional currency.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Total debt	691,618	754,951	1,218,352
Equity attributable to the owners of the Company	812,564	884,367	1,000,205
Total debt and equity	1,504,182	1,639,318	2,218,557
Gearing ratio	46.00%	46.05%	54.92%

(f) Fair value

The fair value measurement of the Group's financial and non-financial assets and liabilities utilised market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**Fair Value Hierarchy**"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (I.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and retention receivables, other receivables, trade and bills payables, other payables and accruals, bond payables, amounts dues to related parties, bank borrowings, and financial guarantee contracts.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and retention receivables, other receivables, pledged bank deposits, trade and bills payables, other payables and accruals, bond payables, amount due to a shareholder and amounts due to related parties approximates fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016, 2017 and 2018.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables			
Trade, retention and bills receivables	578,343	545,044	803,198
Other receivables	117,909	278,214	258,159
Restricted bank deposits	119,629	110,720	131,653
Cash and cash equivalents	104,881	13,571	61,401
	920,762	947,549	1,254,411
Financial liabilities			
Financial liabilities at amortised costs			
Trade and bills payables	284,191	233,899	400,249
Other payables and accruals	14,190	25,586	36,238
Bank borrowings	387,437	483,437	730,994
Amount due to a shareholder	6,986	12,029	18,730
Amounts due to related parties	27	–	–
	692,831	754,951	1,186,211

38. OPERATING LEASE COMMITMENTS

At each reporting date, the Group's total future minimum rental payable under non-cancellable operating lease in respect of land and buildings are as follows:

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	530	177	779
In the second to fifth year	177	–	1,769
Over five years	–	–	1,068
	707	177	3,616

39. CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018, the Group has given limited guarantees to various banks to secure banking facilities granted to certain related parties to the extent carrying value of RMB378,000,000, RMB28,000,000 and RMB Nil respectively.

As at 31 December 2016, 2017 and 2018, the Group has given limited guarantees to various banks and a financial institution by the pledge of certain buildings, leasehold improvement, machinery (Note 17) and prepaid land lease payments (Note 18) to secure banking facilities granted to certain unrelated companies to the extent carrying value of RMB16,040,000, RMB15,083,000 and RMB Nil respectively.

40. NOTES SUPPORTING COMBINED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

	Bank borrowings (note 28) *RMB'000*	**Bond payables** *RMB'000*	**Amount due to related parties (note 29)** *RMB'000*	**Amount due to a shareholder (note 29)** *RMB'000*
At 1 January 2016	295,295	102,732	667	6,375
Changes from cash flows:				
Proceeds from new bank borrowings	485,360	–	–	–
Repayment of bank borrowings	(393,260)	–	–	–
Interest paid	(35,912)	(10,750)	–	–
Repayment of bond payables	–	(100,000)	–	–
Repayment of advances from related parties	–	–	(640)	–
Increase in amount due to a shareholder	–	–	–	153
Total changes from financing cash flows:	56,188	(110,750)	(640)	153
Exchange adjustments:	–	–	–	457
Other changes:				
Interest expenses	35,954	8,018	–	–
Total other changes	35,954	8,018	–	–
At 31 December 2016	387,437	–	27	6,985

	Bank borrowings (note 28) *RMB'000*	**Amount due to related parties (note 29)** *RMB'000*	**Amount due to a shareholder (note 29)** *RMB'000*
At 1 January 2017	387,437	27	6,985
Changes from cash flows:			
Proceeds from new bank borrowings	532,885	–	–
Repayment of bank borrowings	(437,100)	–	–
Interest paid	(34,376)	–	–
Repayment of advances from related parties	–	(27)	–
Increase in amount due to a shareholder	–	–	5,469
Total changes from financing cash flows:	61,409	(27)	5,469
Exchange adjustments:	–	–	(425)
Other changes:			
Interest expenses	34,591	–	–
Total other changes	34,591	–	–
At 31 December 2017	483,437	–	12,029

	Bank borrowings (note 28) *RMB'000*	Amount due to a shareholder (note 29) *RMB'000*
At 1 January 2018	483,437	12,029
Changes from cash flows:		
Proceeds from new bank borrowings	510,642	–
Repayment of bank borrowings	(263,085)	–
Interest paid	(49,906)	–
Increase in amount due to a shareholder	–	6,701
Total changes from financing cash flows:	197,651	6,701
Exchange adjustments:	–	–
Other changes:		
Interest expenses	49,906	–
Total other changes	49,906	–
At 31 December 2018	730,994	18,730

41. SUBSEQUENT EVENTS

Subsequent to 31 December 2018 and up to the date of this report, the following significant events took place:

Reorganisation

The entities now comprising the Group completed the Reorganisation in preparation for the **[REDACTED]** of the shares of the Company on the Main Board of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in this **[REDACTED]**. As a result of the Reorganisation, the Company became the holding company of the companies comprising the Group on 2 October 2018.

Save as disclosed above, there are no other significant events which took place subsequent to 31 December 2018.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2018.