



浦江國際集團

PUJIANG INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2060)

INTERIM REPORT 2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Tang Liang (*Chairman*)

Mr. Zhou Xufeng (*CEO*)

Ms. Zhang Weiwen

Mr. Ni Xiaofeng

Independent Non-Executive Directors

Ms. Pan Yingli

Mr. Chen Dewei

Mr. Zhang Bihong

SENIOR MANAGEMENT

Mr. Luo Guoqiang

Mr. Xu Haoming

Mr. You Shengyi

Mr. Li Gang

COMPANY SECRETARY

Ms. Choy Yee Man (*FCS, FSIC*)

AUDIT COMMITTEE

Mr. Zhang Bihong (*Chairman*)

Ms. Pan Yingli

Mr. Chen Dewei

REMUNERATION COMMITTEE

Ms. Pan Yingli (*Chairman*)

Mr. Chen Dewei

Mr. Zhang Bihong

NOMINATION COMMITTEE

Mr. Chen Dewei (*Chairman*)

Ms. Pan Yingli

Mr. Zhang Bihong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Maples Corporate Services Limited

PO Box 309, Umland House

Grand Cayman, KY1-1104

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai 200120

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road East

Hong Kong

COMPANY'S WEBSITE

www.pji-group.com

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Estera Trust (Cayman) Limited

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KY1-1108

Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

COMPLIANCE ADVISER

Haitong International Capital Limited

PRINCIPAL BANKERS

Guangzhong Sub-branch, Bank of Shanghai

No. 879, Guangzhong Road

Shanghai, China

Jiashan Sub-branch, Agricultural Bank of China

No. 285, East Jiefang Road

Weitang Street, Jiashan County

Jiaying City, Zhejiang Province, China

Shanghai Branch, Bank of Nanjing

No. 909, North Zhongshan Road

Shanghai, China

AUDITOR

BDO Limited

HONG KONG LEGAL ADVISER

Norton Rose Fulbright Hong Kong

STOCK CODE

2060

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF PUJIANG INTERNATIONAL GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 5 to 39 which comprise the condensed consolidated statement of financial position of Pujiang International Group Limited and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Other Matter

The comparatives in the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period ended 30 June 2018, and the related explanatory notes have not been reviewed in accordance with HKSRE 2410 or audited.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong

27 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Unaudited six months ended 30 June	
	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	755,970	617,257
Cost of sales		(564,319)	(493,973)
Gross profit		191,651	123,284
Other revenue	8	3,682	7,346
Other gains and losses	9	(2,808)	(2,131)
Distribution and selling expenses		(9,694)	(8,104)
Administrative expenses		(64,741)	(15,292)
Research and development expenses		(24,882)	(19,417)
Finance costs	10	(31,461)	(25,533)
Profit before income tax expenses	11	61,747	60,153
Income tax expense	13	(11,200)	(8,813)
Profit for the period		50,547	51,340
Attributable to:			
– Owners of the Company		33,901	37,851
– Non-controlling interests		16,646	13,489
		50,547	51,340
Profit for the period		50,547	51,340
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(13)	(224)
Other comprehensive income for the period		(13)	(224)
Total comprehensive income for the period		50,534	51,116
Total comprehensive income for the period attributable to:			
– Owners of the Company		33,891	37,703
– Non-controlling interests		16,643	13,413
		50,534	51,116
Earnings per share	15	RMB	RMB
– Basic		0.0535	0.0631
– Diluted		0.0534	0.0631

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	90,699	93,618
Right-of-use assets	4c(ii)	31,499	–
Prepaid land lease payments – non-current portion		–	28,465
Intangible assets	17	–	–
Deferred tax assets		3,226	6,027
Prepayments and deposits		16,033	16,694
		<u>141,457</u>	<u>144,804</u>
Current assets			
Inventories		249,291	176,693
Trade, retention and bills receivables	18	838,707	803,198
Prepayments, deposits and other receivables		1,484,741	1,203,214
Prepaid land lease payments – current portion		–	762
Restricted bank deposits		191,472	131,653
Cash and cash equivalents		504,883	61,401
		<u>3,269,094</u>	<u>2,376,921</u>
Total Current assets		<u>3,269,094</u>	<u>2,376,921</u>
Total assets		<u>3,410,551</u>	<u>2,521,725</u>
Current liabilities			
Trade and bills payables	20	542,032	400,249
Contract liabilities	7	115,151	46,298
Other payables and accruals		54,483	64,558
Bank borrowings	21	889,265	730,994
Amount due to a shareholder		–	18,730
Income tax payable		7,078	15,631
Lease liabilities	4c(ii)	439	–
		<u>1,608,448</u>	<u>1,276,460</u>
Total current liabilities		<u>1,608,448</u>	<u>1,276,460</u>
Net current assets		<u>1,660,646</u>	<u>1,100,461</u>
Total assets less current liabilities		<u>1,802,103</u>	<u>1,245,265</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 JUNE 2019

	Notes	Unaudited As at 30 June 2019 RMB'000	Audited As at 31 December 2018 RMB'000
Non-current liability			
Lease liabilities	4c(ii)	2,249	–
Net assets		1,799,854	1,245,265
CAPITAL AND RESERVES			
Share capital	22	7,138	1
Reserves		1,531,013	1,000,204
Equity attributable to the owners of the Company		1,538,151	1,000,205
Non-controlling interests		261,703	245,060
Total Equity		1,799,854	1,245,265

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Equity attributable to the owners of the Company									
	Share capital RMB'000 (Note 22)	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Merger reserve RMB'000	Translation reserve RMB'000	Share-based payment reserves RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
Unaudited										
For the six months ended										
30 June 2019										
At 1 January 2019	1	-	159,181	71,677	90,341	(8,392)	-	687,397	245,060	1,245,265
Issuance of share capital	1,858	495,924	-	-	-	-	-	-	-	497,782
Share issued pursuant to capitalisation issue	5,279	(5,279)	-	-	-	-	-	-	-	-
Share issue expenses	-	(25,629)	-	-	-	-	-	-	-	(25,629)
Equity settled share-based transactions	-	-	-	-	-	-	31,902	-	-	31,902
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(10)	-	-	(3)	(13)
Profit for the period	-	-	-	-	-	-	-	33,901	16,646	50,547
Total comprehensive income for the period	7,137	465,016	-	-	-	(10)	31,902	33,901	16,643	554,589
Transfer from retained earnings to statutory reserve	-	-	-	7,660	-	-	-	(7,660)	-	-
At 30 June 2019	7,138	465,016	159,181	79,337	90,341	(8,402)	31,902	713,638	261,703	1,799,854

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Equity attributable to the owners of the Company					Retained earnings	Non-controlling interests	Total
	Share capital	Capital reserve	Statutory reserve	Merger reserve	Translation reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 22)							
Unaudited								
For the six months ended 30 June 2018								
At 1 January 2018	-*	159,181	58,837	90,341	(8,378)	584,386	212,313	1,096,680
Issuance of share capital	-*	-	-	-	-	-	-	-*
Exchange difference arising on translation of foreign operations	-	-	-	-	(148)	-	(76)	(224)
Profit for the period	-	-	-	-	-	37,851	13,489	51,340
Total comprehensive income for the period	-	-	-	-	(148)	37,851	13,413	51,116
Transfer from retained earnings to statutory reserve	-	-	4,017	-	-	(4,017)	-	-
At 30 June 2018	-*	159,181	62,854	90,341	(8,526)	618,220	225,726	1,147,796

* Represents amount less than RMB1,000.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense	61,747	60,153
Adjustments for:		
Amortisation of prepaid land lease payments	–	382
Depreciation of property, plant and equipment	4,389	4,520
Depreciation of right-of-use-assets	735	–
Finance costs	31,461	25,533
Equity settled share-based payment	31,902	–
Impairment loss recognised on trade and retention receivables	2,930	1,264
Impairment loss (reversed)/recognised on deposits and other receivables	(1,991)	812
Interest income	(611)	(2,756)
Gain on disposal of property, plant and equipment	–	(1)
	<hr/>	<hr/>
Operating profits before working capital changes	130,562	89,907
Increase in inventories	(72,598)	(9,366)
Increase in trade, retention and bills receivables	(38,439)	(226,673)
Increase in prepayments, deposits and other receivables	(278,875)	(21,418)
Increase in trade and bills payables	141,783	119,556
Increase in contract liabilities	68,853	7,741
Decrease in deposits received, other payables and accruals	(10,065)	(5,844)
	<hr/>	<hr/>
Cash used in operations	(58,779)	(46,097)
Income tax paid	(16,965)	(9,328)
	<hr/>	<hr/>
<i>Net cash used in operating activities</i>	(75,744)	(55,425)
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CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,470)	(1,412)
Proceeds from disposal of property, plant and equipment	–	38
Increase in restricted bank deposits	(59,819)	(48,942)
Interest received	611	2,756
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	(60,678)	(47,560)
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	750,350	276,250
Repayment of bank borrowings	(592,079)	(134,885)
Payment of lease liabilities	(389)	–
Interest paid	(31,391)	(25,748)
(Decrease)/increase in amount due to a shareholder	(18,730)	1,134
Proceeds from issuance of shares	497,782	–
Share issue expenses	(25,629)	–
	<hr/>	<hr/>
<i>Net cash generated from financing activities</i>	579,914	116,751
	<hr style="border-top: 1px dashed orange;"/>	<hr style="border-top: 1px dashed black;"/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	443,492	13,766
Cash and cash equivalents at the beginning of the period	61,401	13,571
Effect of foreign exchange rates changes, net	(10)	6
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	504,883	27,343
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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. 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 in the People's Republic of China (the "PRC") is 16/F., No. 518 Shangcheng Road, Shanghai, 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 Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 28 May 2019.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 27 August 2019.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in Accountants' Report included in the Prospectus dated 17 May 2019 (the "Accountants' Report"); except for accounting policies that were adopted for the first time for periods beginning on or after 1 January 2019. This is the first set of the Group's interim condensed consolidated financial statements in which HKFRS 16 has been adopted. Details of any changes in accounting policies are set out in note 4.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Accountants' Report, except for the estimation on expected credit losses as set out in note 19 to the interim condensed consolidated financial statements.

These interim condensed consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These interim condensed consolidated financial statements contain selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of interim condensed consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the Accountants' Report.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Save as disclosed in the changes in accounting policies in note 4, the application of other new and revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these unaudited interim condensed consolidated financial statements.

In the current period, the Group has applied for the first time the following new or revised HKFRSs that are relevant to and effective for the Group’s interim condensed consolidated financial statements for the annual period beginning on 1 January 2019.

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment features with negative compensation
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to: HKFRS 3, Business Combinations; HKFRS 11, Joint Arrangements; HKAS 12, Income Taxes; and HKAS 23, Borrowing Costs

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 3	Definition of a business ³

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

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted

³ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

Except as described below, the accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Accountants’ Report.

The changes in accounting policies are also expected to be reflected in the Group’s interim condensed consolidated financial statements as at and for the period ending 30 June 2019.

The Group has initially adopted HKFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group’s interim condensed consolidated financial statements.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HK(IFRIC)-Int 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

B. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

i. Significant accounting policies

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

B. As a lessee (Continued)

i. Significant accounting policies (Continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments including in-substance fixed payments. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or conditional that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

ii. Transition

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The leases typically run for a period of 2 or 9 years.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

- Use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

C. Impact on interim condensed consolidated financial statements

i. Impacts on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 January 2019 RMB'000
Right-of-use assets	3,007
Lease liabilities	<u>3,007</u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5.94%.

	1 January 2019 RMB'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's Accountants' Report	<u>3,616</u>
Weighted average incremental borrowing rate as at 1 January 2019	5.94%
Discounted operating lease commitment as at 1 January 2019	609
Lease liabilities recognised at 1 January 2019	<u>3,007</u>

ii. Impacts for the period

	Prepaid land lease payments RMB'000	Right-of- use assets RMB'000	Lease liabilities RMB'000
As at 1 January 2019	29,227	3,007	3,007
Regrouping under HKFRS 16	(29,227)	29,227	–
Depreciation expenses	–	(735)	–
Interest expenses	–	–	70
Payments	–	–	(389)
	<u>–</u>	<u>31,499</u>	<u>2,688</u>
As at 30 June 2019	–	31,499	2,688

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY (Continued)

C. Impact on interim condensed consolidated financial statements (Continued)

ii. Impacts for the period (Continued)

For avoidance of doubt, prepaid land lease payments in respect of the land use right in the PRC should be regrouped as right-of-use assets under HKFRS 16.

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB31,499,000 of right-of-use assets and RMB2,688,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB735,000 of depreciation charges and RMB70,000 of interest costs from these leases.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing this unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Accountants' Report, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 4 above.

6. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Group's top management including executive directors and chief executive for their decisions about resources allocation to the Group's business components and for their review of these components' performance. The business components in the internal financial information reported to the top management are determined according to the Group's major product and service lines.

Based on the above, the Group's top management determined that 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 external parties for similar order.

6. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

For the six months ended 30 June 2019 (unaudited)

	Cables RMB'000	Prestressed steel materials RMB'000	Elimination RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Revenue to external customers	341,009	414,961	-	755,970	-	755,970
Segment profit/(loss) before income tax expenses	60,939	45,591	-	106,530	(44,783)	61,747

For the six months ended 30 June 2018 (unaudited)

	Cables RMB'000	Prestressed steel materials RMB'000	Elimination RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Revenue to external customers	189,457	427,800	-	617,257	-	617,257
Segment profit/(loss) before income tax expenses	22,877	39,386	-	62,263	(2,110)	60,153

6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

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

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Segment assets		
Cables	1,693,370	1,402,315
Prestressed steel materials	1,217,190	1,054,528
Segment assets	2,910,560	2,456,843
Unallocated	499,991	64,882
Total assets	3,410,551	2,521,725
Segment liabilities		
Cables	1,211,155	975,245
Prestressed steel materials	397,342	275,126
Segment liabilities	1,608,497	1,250,371
Unallocated	2,200	26,089
Total liabilities	1,610,697	1,276,460

6. SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2019 (unaudited)

	Cables	Prestressed steel materials	Segment total	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	253	358	611	-	611
Government grants	2,550	354	2,904	-	2,904
Finance costs	31,457	4	31,461	-	31,461
Income tax expenses	6,057	5,143	11,200	-	11,200
Depreciation of right-of-use assets	428	307	735	-	735
Depreciation of property, plant and equipment	2,597	1,792	4,389	-	4,389
Impairment loss recognised/(reversed) on trade receivables and retention receivables	3,266	(336)	2,930	-	2,930
Impairment loss (reversed)/recognised on deposits and other receivables	(1,992)	1	(1,991)	-	(1,991)
Additions to non-current assets	1,012	458	1,470	-	1,470

For the six months ended 30 June 2018 (unaudited)

	Cables	Prestressed steel materials	Segment total	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	2,576	180	2,756	-	2,756
Government grants	3,962	175	4,137	-	4,137
Finance costs	21,234	4,299	25,533	-	25,533
Income tax expenses	3,025	5,788	8,813	-	8,813
Amortisation of prepaid land lease payments	73	309	382	-	382
Depreciation of property, plant and equipment	2,673	1,847	4,520	-	4,520
Impairment loss (reversed)/recognised on trade receivables and retention receivables	(485)	1,749	1,264	-	1,264
Impairment loss recognised/(reversed) on deposits and other receivables	814	(2)	812	-	812
Additions to non-current assets	984	428	1,412	-	1,412
Gain on disposal of property, plant and equipment	1	-	1	-	1

6. SEGMENT INFORMATION (Continued)

(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 derived from external customers in the PRC during the period.

(e) Information about major customers

Revenue attributed from customers, each of them accounted for 10% or more of the Group's total revenue during the period, is as follows:

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Customer A ¹	*2	66,519
Customer B ¹	*2	43,511
Customer C ¹	*2	68,939
Customer D ¹	*2	53,950
Customer E ¹	*2	49,301
Customer F ¹	86,703	*2
	<hr/> 86,703 <hr/>	<hr/> 282,220 <hr/>

Notes:

¹ Revenue from sales of prestressed steel materials.

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

³ Revenue from each of customers from sales of cables during the period is 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 and contract liabilities from contracts with customers.

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade and retention receivables	838,707	803,198
Contract liabilities	115,151	46,298
	953,858	849,496

Details of contract liabilities

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

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Contract liabilities	115,151	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.

7. REVENUE (Continued)

Details of contract liabilities (Continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows the amount of the revenue recognised in the current reporting period carried-forward contract liabilities.

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period		
Manufacture, installation and sale of cables	1,907	9,434
Manufacture and sale of customised prestressed steel materials	1,057	3,462
	2,964	12,896

Disaggregation of revenue

	Unaudited six months ended 30 June 2019 RMB'000	2018 RMB'000
Manufacture, installation and sale of cables	341,009	189,457
Manufacture and sale of customised prestressed steel materials	414,961	427,800
	755,970	617,257

7. REVENUE (Continued)

Details of contract liabilities (Continued)

(ii) Revenue recognised in relation to contract liabilities (Continued)

Timing of revenue recognition

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

At a point in time

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Sales of customised prestressed steel materials and cables	<u>751,480</u>	<u>614,429</u>

Over time

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Provision of installation services	<u>4,490</u>	<u>2,828</u>

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. Accordingly, the Group has two reportable segments and analysis of these two segments are presented in note 6.

Unsatisfied performance obligations

There is no transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for the revenue at the end of the reporting period.

8. OTHER REVENUE

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Bank and other interest income	611	2,756
Government grants (Note i)	2,904	4,137
Sundry income	167	453
	<u>3,682</u>	<u>7,346</u>

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

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Exchange loss, net	(1,869)	(56)
Gain on disposal of property, plant and equipment	–	1
Impairment loss recognised on trade and retention receivables	(2,930)	(1,264)
Impairment loss reversed/(recognised) on deposits and other receivables	1,991	(812)
	<u>(2,808)</u>	<u>(2,131)</u>

10. FINANCE COSTS

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Interest expense on bank borrowings	31,391	25,533
Interest expense on lease liabilities	70	–
	<u>31,461</u>	<u>25,533</u>

11. PROFIT BEFORE INCOME TAX EXPENSES

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

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Auditors' remuneration	128	991
Cost of inventories sold (Note i)	564,319	493,973
Listing expenses – HKEX	12,149	2,079
Equity settled share-based payment	31,902	–
Employee costs (Note 12)	20,676	16,048

Note:

- (i) Cost of inventories sold for the six months ended 30 June 2018 and 2019 includes RMB20,965,000 and RMB22,287,000 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

	Unaudited six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	15,834	11,106
Contributions to retirement benefits scheme	2,988	2,942
Other employee benefits	1,854	2,000
	20,676	16,048

13. INCOME TAX EXPENSE

	Unaudited	
	six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)		
– for the period	9,758	8,340
– (Over)/under provision in the prior periods	(1,360)	758
	8,398	9,098
Deferred tax		
– for the period	2,802	(285)
Income tax expenses	11,200	8,813

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 High and New-Tech enterprises according to the PRC tax regulations and are entitled to a preferential tax rate of 15% for the period.

14. INTERIM DIVIDENDS

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

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of RMB33,901,000 (six months ended 30 June 2018: RMB37,851,000). The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the period ended 30 June 2019 includes the weighted average number of shares issued pursuant to the global offering (note 22) of 633,701,467 shares. The number of ordinary shares for the purpose of calculating basic earnings per share for the period ended 30 June 2018 has been determined based on the assumption that the share issuance of 168,760 shares and capitalisation issue of 599,831,240 shares are deemed to be effective on 1 January 2018 (note 22).

15. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

For the six months ended 30 June 2019, the calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company of RMB33,901,000 (six months ended 30 June 2018: RMB37,851,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and diluted shares from share option scheme (note 23). No diluted earnings per share was presented as there were no potential ordinary shares in issue during the period ended 30 June 2018.

The calculations of basic and diluted earnings per share are based on:

	Unaudited six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	33,901	37,851
Number of Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	633,701,467	600,000,000
Effect of dilution – weighted average number of ordinary shares: Share options	1,469,154	N/A
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	635,170,621	600,000,000

16. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of plant and machinery with a cost of RMB1,470,000 (six months ended 30 June 2018: RMB1,412,000). There are no items of plant and machinery being disposed during the six months ended 30 June 2019. Items of plant and machinery with a net book value of RMB37,000 were disposed during the six months ended 30 June 2018, resulting in a gain on disposal of RMB1,000.

17. INTANGIBLE ASSETS

	Technology know-how RMB'000
Cost	
At 31 December 2018 and 30 June 2019	<u>6,250</u>
Accumulated depreciation	
At 31 December 2018 and 30 June 2019	<u>6,250</u>
Net book value	
At 30 June 2019 (unaudited)	<u>–</u>
At 31 December 2018 (audited)	<u>–</u>

18. TRADE, RETENTION AND BILLS RECEIVABLES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade receivables	815,289	757,035
Retention receivables	48,860	68,675
Less: allowance for doubtful debts	(25,442)	(22,512)
Trade and retention receivables, net	<u>838,707</u>	<u>803,198</u>

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 period.

18. TRADE, RETENTION AND BILLS RECEIVABLES (Continued)

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Neither past due nor impaired	117,075	209,844
Less than 3 months past due	298,178	254,894
3-6 months past due	144,745	163,362
7-12 months past due	165,151	88,778
More than 1 year past due but less than 2 years past due	79,829	48,103
More than 2 years past due but less than 3 years past due	24,000	31,161
More than 3 years past due but less than 4 years past due	7,463	2,443
More than 4 years past due but less than 5 years past due	2,266	4,613
	838,707	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 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Five largest customers	289,310	241,242

18. TRADE, RETENTION AND BILLS RECEIVABLES (Continued)

Movements in the allowance for doubtful debts are as follows:

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Balance at beginning of the period/year	22,512	18,597
Impairment loss recognised on trade and retention receivables	<u>2,930</u>	<u>3,915</u>
Balance at end of the period/year	<u>25,442</u>	<u>22,512</u>

As at 30 June 2019, the Group's trade and retention receivables included the allowance for doubtful debts with an aggregate balance of RMB25,442,000 (31 December 2018: RMB22,512,000) was individually determined to be impaired.

As at 30 June 2019 and 31 December 2018, the Group's certain trade and retention receivables were pledged to secure banking facilities granted to the Group (note 21).

19. 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 the end of each reporting period, the Group's maximum exposure to credit risk which causes 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 interim condensed consolidated statements of the financial position.

In order to minimize 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-month 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

19. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

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 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 year/period. The following tables detail the risk profile of trade receivables:

Trade and retention receivables

At 30 June 2019	Within					Over	Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years	
Expected credit loss rate	1%	5%	10%	20%	20%	100%	3%
Estimated total gross carrying amount at default (RMB'000)	732,475	84,030	26,667	9,329	2,831	8,817	864,149
Lifetime ECL (RMB'000)	(7,324)	(4,202)	(2,667)	(1,866)	(566)	(8,817)	(25,442)
	<u>725,151</u>	<u>79,828</u>	<u>24,000</u>	<u>7,463</u>	<u>2,265</u>	<u>-</u>	<u>838,707</u>
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)
	<u>716,878</u>	<u>48,103</u>	<u>31,161</u>	<u>2,443</u>	<u>4,613</u>	<u>-</u>	<u>803,198</u>

19. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

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 30 June 2019	Within					Over	Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years	
Expected credit loss rate	3%	3%	3%	5%	0%	3%	3%
Estimated total gross carrying amount at default (RMB'000)	688	225	395	115	15	63	1,501
12-month ECL (RMB'000)	(20)	(7)	(12)	(6)	-	(2)	(47)
	668	218	383	109	15	61	1,454
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%	3%	3%	0%	3%	3%	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

19. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (Continued)

Deposits

At 30 June 2019	Within					Over	Total
	1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years	
Expected credit loss rate	1%	1%	1%	1%	50%	100%	2%
Estimated total gross carrying amount at default (RMB'000)	170,816	30,800	1,909	13,072	46	1,008	217,651
12-month ECL (RMB'000)	(2,472)	(308)	(28)	(193)	(23)	(1,008)	(4,032)
	168,344	30,492	1,881	12,879	23	-	213,619
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

20. TRADE AND BILLS PAYABLES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade payables (Note (a))	124,629	56,317
Bills payables	417,403	343,932
	542,032	400,249

20. TRADE AND BILLS PAYABLES (Continued)

Note:

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

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Within 3 months	105,967	37,247
Within 4-6 months	2,499	4,054
Within 7-12 months	8,738	8,851
More than 1 year but less than 2 years	4,579	3,131
More than 2 years but less than 3 years	120	417
More than 3 years but less than 4 years	677	305
More than 4 years but less than 5 years	113	187
Over 5 years	1,936	2,125
	124,629	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.

21. BANK BORROWINGS

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Current		
<i>Secured interest-bearing</i>		
Short-term bank loans	889,265	730,994
Analysed based on scheduled repayment terms set out in the loan agreements, into:		
Repayable on demand or within one year	889,265	730,994

The bank borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 0.09% to 8.00% at 30 June 2019 (31 December 2018: from 0.04% to 8.00%) respectively.

21. BANK BORROWINGS (Continued)

The bank loans are secured by:

- (a) certain buildings, leasehold improvement and machineries included in property, plant and equipment (note 16), prepaid land lease payments and trade and retention receivables (note 18);
- (b) personal guarantees executed by Dr. Tang Liang, a director of the Company, as at 31 December 2018;
- (c) 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 as at 31 December 2018; and
- (d) corporate guarantees given by independent third parties and Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) New Materials Co. Limited, Ossen Innovation Materials Co. Limited, Shanghai Ossen Material Research Institute Co., Limited and Shanghai Pujiang Cable Co., Limited as at 30 June 2019.

22. SHARE CAPITAL

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

	Share capital	
	Number of shares	RMB'000
Issued and fully paid		
At 1 January 2018	1	-*
Share issuance (Note (a) to (f))	168,759	1
At 31 December 2018	168,760	1
Capitalisation issue (Note (g))	599,831,240	5,279
Share issuance (Note (h) to (i))	211,044,000	1,858
At 30 June 2019	811,044,000	7,138

Note (a): On 28 June 2018, 79,695 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (b): On 4 July 2018, 5,804 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (c): On 3 September 2018, 17,412 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (d): On 21 September 2018, 9,122 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (e): On 28 September 2018, 2,322 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (f): On 2 October 2018, 54,404 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (g): On 28 May 2019, the Company issued a total of 599,831,240 ordinary shares by way of capitalising an amount of HK\$5,998,312.40 from the share premium account of the Company (the "Capitalisation issue") arising from global offering.

Note (h): On 28 May 2019, 200,000,000 ordinary shares of HK\$0.01 were allotted and issued by the Company.

Note (i): On 25 June 2019, 11,044,000 ordinary shares of HK\$0.01 were allotted and issued by the Company.

* Represents amount less than RMB1,000.

23. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholders of the Company on 24 April 2019, the shareholders of the Company approved the adoption of a share option scheme (the “Share Option Scheme”). The maximum term of the options granted is 10 years from the date of offer. The exercise price of the options granted is set as the Stock Exchange closing price of the Company’s shares on the date of the offer. The Share Option Scheme is deemed to be an equity-settled share based remuneration scheme for employees and directors. The Share Option Scheme will be valid and effective for a period of 10 years commencing from 3 June 2019, after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The following share options were outstanding under the scheme during the period:

	Weighted average exercise price	Number
	2019 HK\$	2019
Outstanding at beginning of the period	–	–
Granted during the period	<u>2.80</u>	<u>32,000,000</u>
Outstanding at the end of the period	<u>2.80</u>	<u>32,000,000</u>

The exercise price of options outstanding at the end of the period was HK\$2.80 (2018: Nil) and their weighted average remaining contractual life was 10 years (2018: Nil).

Of the total number of options outstanding at the end of the period, no share option were exercisable at the end of the period.

The weighted average share price at the date of exercise of options exercised during the year was HK\$2.80.

The weighted average fair value of total option granted during the period was HK\$36,630,000.

The equity settled share-based payment of RMB31,902,000 was recognised in profit or loss during the period.

23. SHARE OPTION SCHEME (Continued)

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the Group.

Equity-settled

Option pricing model used	Binominal Option Pricing Model
Weighted average share price at grant date	HK\$2.80
Exercise price	HK\$2.80
Weighted average contractual life	10 years
Expected volatility	47.61%
Expected dividend rate	3.50%
Risk-free interest rate	1.34%

24. RELATED PARTY TRANSACTIONS

There are no related party transactions for the six months ended 30 June 2019 and 30 June 2018 except for the compensation of key management personnel, representing remuneration of the Company's directors, for the six months ended 30 June 2019 was RMB4,288,000 (six months ended 30 June 2018: Nil).

25. FINANCIAL RISK MANAGEMENT

The following table shows the carrying amount of financial assets and liabilities:

	As at 30 June 2019 Carrying amount Unaudited RMB'000	As at 31 December 2018 Carrying amount Audited RMB'000
Financial assets		
Loans and receivables		
– Trade, retention and bills receivables	838,707	803,198
– Other receivables	235,005	258,159
– Restricted bank deposits	191,472	131,653
– Cash and cash equivalents	504,883	61,401
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and bills payables	542,032	400,249
– Other payables and accruals	28,589	36,238
– Bank borrowings	889,265	730,994
– Amount due to a shareholder	–	18,730
– Lease liabilities	2,688	–

25. FINANCIAL RISK MANAGEMENT (Continued)

(a) 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 trade, retention and bills receivables, other receivables, restricted bank deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, bank borrowings, amount due to a shareholder and lease liabilities.

Due to their short term nature, the carrying value of trade, retention and bills receivables, other receivables, restricted bank deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, bank borrowings, amount due to a shareholder and lease liabilities 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 30 June 2019 and 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The board of Directors (the “Board”) of Pujiang International Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”, “we” or “our”) for the six months ended 30 June 2019 (the “Reporting Period”).

We are the largest provider of bridge cables for the construction of super-long-span bridges in China and one of the leading prestressed materials manufacturers in China. The shares of our Company (the “Shares”) were successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 28 May 2019 (the “Listing Date”).

During the six months ended 30 June 2019, we operated two main reporting business segments, namely, the business which manufactures and supplies cables for construction of bridges (the “Cable Business”) and the business which manufactures and supplies prestressed materials for various infrastructure construction (the “Prestressed Materials Business”). For the six months ended 30 June 2019, the total revenue of the Group amounted to RMB756.0 million, representing an increase of 22.5% as compared to the corresponding period last year. The revenue increase was mainly due to an 80% increase in sales from our Cable Business.

We recorded profit for the period of RMB50.5 million for the six months ended 30 June 2019, representing a decrease of 1.5% as compared to the corresponding period in 2018. This decrease was mainly due to the increase in one-off administrative expenses which included listing expenses and equity settled share-based payment. Our adjusted profit (excluding the listing expenses and equity settled share-based payment) for the six months ended 30 June 2019 was RMB94.6 million, representing an increase of 77.1% as compared to the corresponding period in 2018. Our gross profit margin has also improved as we have increased our sales of bridge cables as well as galvanised prestressed products which have a higher profit margin. Although in the first half of 2019 the majority of our revenue was derived from our Prestressed Materials Business, we expect that the contribution from Cable Business will continue to grow. In addition, our revenue is subject to seasonality and is generally lower during the first quarter each year primarily due to the Chinese New Year holidays and the cold weather in the Northern region of China during winter season. In 2018, revenue for the first six months only contributed to 44.6% of the full year revenue.

BUSINESS REVIEW (Continued)

During the first half of 2019, we were awarded 33 new tenders and had signed new contracts with a total contract value of approximately RMB673.0 million for our Cable Business. In terms of technology enhancement activities, as of 30 June 2019, we have obtained one new registered patent since the Listing Date. We have also received the following prizes and awards during the six months ended 30 June 2019:

Award	Granting Authority
Second Class Prize of the Shanghai Science and Technology Prize (上海市科學技術獎)	Shanghai Municipal People's Government
2017-2018 Shanghai Civilized Company (2017-2018上海市文明單位)	Shanghai Municipal People's Government
2018 Modern Craftsman (2018年度新時代工匠)	Cihu High and New Technology Region Management Authority
Third Class Prize for Science Advancement (科學技術進步獎三等獎)	Yunnan Province Provincial Government
Shanghai Brand (上海品牌)	Shanghai Brand International Certification Alliance
Second Class Prize for Science and Technology Award (科學技術獎二等獎)	Shanghai Highway and Transportation Society

BUSINESS REVIEW (Continued)

As of 30 June 2019, we had 39 on-going projects with a backlog amounting to RMB1,122.7 million ^{Note}. With the commencement of the on-going projects in hand, including the 1915 Canakkale Bridge in Turkey and the Oujang North Estuary Bridge in China, we expect that our revenue from our Cable Business will continue to grow in the second half of year 2019. We plan to also continue to expand our sales network globally. Below sets out some of our on-going projects for our Cable Business:

- Canakkale Bridge in Turkey
- Oujang North Estuary Bridge in Zhejiang Province, China (甌江北口大橋)
- Jianyuan Highspeed Bridge in Yunnan Province, China (建元高速特大橋)
- Wujiang Bridge in Guizhou Province, China (烏江大橋)
- Fenglin Bridge in Guizhou Province, China (貴州峰林特大橋)
- Wujiagang Yangtze River Bridge in Hubei Province, China (伍家崗長江大橋)
- Chaohu Lake Bridge in Anhui Province, China (巢湖大橋)
- Taoyuan Jinsha River Bridge in Yunnan Province, China (濤源金沙江大橋)
- Lotus Bridge in Guangdong Province, China (蓮花大橋)

In the second half of 2019, while we gradually start to implement our construction plans for the production facility for galvanised prestressed products, we will also focus on expanding our sales on bridge cables. We will continue to focus on the production and sale of bridge cables and galvanised prestressed products, which generally have a higher profit margin. We plan to seize the growing opportunities in the infrastructure construction industry both in China and overseas, enhance the core competitiveness and profitability of the Group, and strengthen our market position in the growing infrastructure market.

As one of the leading manufacturers in the markets that we operate in, we have already started our preparation in order to capture the growing market opportunities and strengthen our market position.

Note: Backlog refers to the outstanding contract value that remains to be delivered under the signed contracts under our Cable Business as at a certain date, assuming that our products will be delivered according to the terms of the contracts. Due to the nature of our Cable Business, we deliver finished products in batches in accordance with the delivery schedule as agreed in the contract, and as a result, the value of our backlog may be high for our projects remains to be completed and when we gain new projects since bridge cable projects often has a long construction period.

BUSINESS REVIEW (Continued)

For our Prestressed Materials Business, in view of the growing demand in galvanised prestressed products, we have started our preparation work in expanding the production capacity for galvanised prestressed products at the “galvanisation” stage and “stabilisation” stage. As of the date of this report, we have signed the land acquisition agreement for the construction site of the new production facility at Jiujiang, Jiangxi Province, and we expect the construction of the new production facility will be completed by June 2020. For our Cable Business, as part of our expansion plan of the Research and Development centre, we have entered into the government’s approval process for expanding and upgrading of our research and development centre. In the second half of 2019, we will commence our preparation work in the construction of the Research and Development centre as well as procuring the additional research and development equipment. We expect that the construction of the new research and development centre will be completed by June 2020.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The following table sets out the breakdown of revenue by operating segment and project/product type:

Revenue

	2019		2018	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Unaudited Six months ended 30 June				
Cable Business:				
Suspension cable projects	233,215	30.8	82,897	13.4
Stay cable projects	101,129	13.4	101,638	16.5
Others – installation projects	4,833	0.7	4,482	0.7
Others – sale of scrap materials	1,832	0.2	440	0.1
	341,009	45.1	189,457	30.7
Prestressed Materials Business:				
Plain surface prestressed products	6,853	0.9	18,656	3.0
Rare earth coated prestressed products	338,239	44.7	371,510	60.1
Galvanised prestressed products	67,369	8.9	37,153	6.0
Other steel materials	2,500	0.4	481	0.2
	414,961	54.9	427,800	69.3
	755,970	100.0	617,257	100.0

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Revenue (Continued)

Revenue increased by 22.5% from RMB617.3 million in the first half of 2018 to RMB756.0 million in the first half of 2019, mainly attributable to the increase in revenue from the Cable Business.

Revenue generated from our Cable Business increased by 80.0% from RMB189.5 million in the first half of 2018 to RMB341.0 million in the first half of 2019, mainly attributable to the increase in sales from several high contract value projects such as the Tiger Leaping Gorge Jinsha River Bridge and Taoyuan Jinsha River Bridge, and the increase in the number of bridge cable projects.

Revenue generated from our Prestressed Materials Business decreased slightly by 3.0% from RMB427.8 million in the first half of 2018 to RMB415.0 million in the first half of 2019, mainly attributable to a decrease in sales of our plain surface prestressed products partially offset by an increase in galvanised prestressed products.

Gross profit and gross profit margin

The following table sets out the respective gross profit and gross profit margin by operating segment:

	Unaudited Six months ended 30 June			
	2019		2018	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Cable Business	123,100	36.1	59,757	31.5
Prestressed Materials Business	68,551	16.5	63,527	14.8
Total	191,651	25.4	123,284	20.0

Gross profit increased by 55.5% from RMB123.3 million in the first half of 2018 to RMB191.7 million in the first half of 2019.

Overall gross profit margin increased from 20.0% in the first half of 2018 to 25.4% in the first half of 2019, which was primarily due to an increase in gross profit margin from the Cable Business. The gross profit margin for our Cable Business increased from 31.5% in the first half of 2018 to 36.1% in the first half of 2019 due to the sales of higher value projects such as the Tiger Leaping Gorge Jinsha River Bridge and Taoyuan Jinsha River Bridge. The gross profit margin for our Prestressed Materials Business also increased from 14.8% in the first half of 2018 to 16.5% in the first half of 2019 mainly due to the increase in sales of galvanised prestressed products which have a higher profit margin.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Distribution and selling expenses

Distribution and selling expenses of the Group increased by 19.6% from RMB8.1 million in the first half of 2018 to RMB9.7 million in the first half of 2019. The increase in selling and distribution expenses was mainly attributable to the increase in transportation expenses for delivery of bridge cables to customers due to increase in the number of bridge cables projects. Distribution and selling expenses accounted for 1.3% of the total sales revenue for the six months ended 30 June 2019, which is similar to the corresponding period in 2018.

Administrative expenses

Administrative expenses of the Group increased by 323.4% from RMB15.3 million in the first half of 2018 to RMB64.7 million in the first half of 2019. The increase in administrative expenses was mainly attributable to the one-off expenses incurred for the preparation and listing of the Company's shares on the Hong Kong Stock Exchange in May 2019 and the equity settled share-based payments for employee share options granted in June 2019. The following table sets out the breakdown of administrative expenses:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Staff costs	8,601	5,781
Travelling and entertainment	1,941	1,837
Depreciation	1,524	638
Amortisation of prepaid land lease payment	–	382
Audit fee	128	991
Legal and professional fee	18	94
Listing fee (HKEX)	12,149	2,079
Equity settled share-based payment	31,902	–
Rental expenses	359	370
Other insurance	264	97
Other taxes	297	440
Bank charges	4,689	1,542
Office utilities	1,525	434
Others	1,344	607
	64,741	15,292

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Research and development expenses

Research and development expenses increased by 28.1% from RMB19.4 million in the first half of 2018 to RMB24.9 million in the first half of 2019. This increase was primarily attributable to an increase in additional resources to the research and development of new technologies relating to our Cable Business as new technologies were required for potential tenders.

Finance costs

Finance costs increased by 23.2% from RMB25.5 million in the first half of 2018 to RMB31.5 million in the first half of 2019. This increase was primarily attributable to an increase in bank borrowings.

Income Tax Expenses

Income tax expenses increased by 27.1% from RMB8.8 million in the first half of 2018 to RMB11.2 million in the first half of 2019. Our effective tax rate increased from 14.7% in the first half of 2018 to 18.1% in first half of 2019. This increase was primarily attributable to non-deductible expenses for income tax purposes such as listing expenses for the listing of the Company's shares on the Hong Kong Stock Exchange and equity settled share-based payment.

Profit for the period

As a result of the foregoing, the Group recorded a profit of RMB50.5 million, representing a decrease of 1.5% as compared to RMB51.3 million in the corresponding period of 2018. Our adjusted profit increased by 77.1% from RMB53.4 million in the first half of 2018 to RMB94.6 million in the first half of 2019. This increase was mainly due to an increase in gross profit as a result of increased sales of bridge cables from our Cable Business.

Non-HKFRS measure – Adjusted profit

To supplement our consolidated interim results which are prepared and presented in accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), we present the adjusted profit as an additional financial measure to eliminate the effect of equity settled share-based payment and listing expenses, in which our management does not consider them to be indicative of our operating performance. The term of adjusted profit is not defined under HKFRS. The use of adjusted profit has material limitations as an analytical tool, as adjusted profit does not include all items that impact our profit for the six months ended 30 June 2019 and 2018. We present the adjusted profit because it is used by our management to evaluate our operating performance. We also believe that this non-HKFRS measure provides useful information to investors and others in understanding and evaluating our consolidated interim results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

Non-HKFRS measure – Adjusted profit (Continued)

We compensate for these limitations by reconciling the financial measure to the nearest HKFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted profit for the six months ended 30 June 2019 presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the period:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	50,547	51,340
Add:		
Equity settled share-based payment	31,902	–
Listing expenses – HKEx	12,149	2,079
Adjusted profit	94,598	53,419
Adjusted profit attributable to owners of the Company	77,952	39,930
Adjusted diluted earnings per share ^{Note}	RMB0.1227	RMB0.0666

Note: Adjusted diluted earnings per share is calculated by dividing adjusted profit attributable to owners of the Company by the weighted average number of ordinary shares with the effect of dilution for the corresponding period. Please refer to note 15 of the notes to the unaudited interim condensed consolidated financial statements for the calculation of the weighted average number of ordinary shares with the effect of dilution for the corresponding period.

In light of the foregoing limitations for the above non-HKFRS measure, when assessing our operating and financial performance, investors and others should not consider adjusted profit in isolation or as a substitute for our profit for the six months ended 30 June 2019 and 2018, gross profit or any other operating performance measures that are calculated in accordance with HKFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Working capital

Our operations are working capital intensive due to the nature of our industry, which is inherent in our business model. Historically, we utilise a significant amount of working capital for upfront prepayment to our suppliers to procure raw materials for our products and to provide deposit guarantees for our Cable Business and we mainly fund our cash requirements through a combination of cash and cash equivalents, banking credit facilities and net cash flows from operating activities.

As at 30 June 2019, the Group recorded net current assets amounting to RMB1,660.6 million (31 December 2018: RMB1,100.5 million). As at 30 June 2019, the cash and cash equivalents of the Group amounted to RMB504.9 million (31 December 2018: RMB61.4 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 30 June 2019, was 2.03 (31 December 2018: 1.86). The increase in the current ratio was due to the increase in current assets as a result of the increase in cash and cash equivalents.

Cash flows

Cash flows from operating activities

For the six months ended 30 June 2019, our net cash used in operating activities was RMB58.8 million (excluding income tax paid of RMB17.0 million), while profit before income tax was RMB61.7 million. Changes in working capital consisted mainly of (i) an increase of RMB278.9 million in prepayments, deposits and other receivables for procuring raw materials for upcoming bridge cable projects and to secure favourable treatment in terms of supply of raw materials; (ii) an increase of RMB141.8 million in trade and bills payables for purchases of raw materials; and (iii) an increase of RMB72.6 million in inventories for the production of upcoming bridge projects.

Cash flows from investing activities

For the six months ended 30 June 2019, net cash used in investing activities was RMB60.7 million. This consisted mainly of a RMB59.8 million increase in restricted bank deposits mainly due to an increase in bank deposit requirements as a result of an increase in bills payables.

Cash flows from financing activities

For the six months ended 30 June 2019, net cash generated from financing activities was RMB579.9 million. This consisted mainly of (i) net bank borrowings of RMB158.3 million mainly used for working capital purposes and (ii) net proceeds (after deducting listing expenses of RMB25.6 million paid during the six months ended 30 June 2019) of RMB472.2 million from the issuance and listing of the shares of the Company on the Hong Kong Stock Exchange.

Bank Borrowings

As at 30 June 2019, the outstanding bank borrowings of the Group was RMB889.3 million (31 December 2018: RMB731.0 million). The increase in bank borrowings was due to increased working capital needs to support our growth, in particular prepayments to suppliers and tenders and performance bonds for projects under our Cable Business. The gearing ratio (calculated by dividing total debt by total equity) as at 30 June 2019, was 49.4% (31 December 2018: 58.7%). The decrease in the gearing ratio was due to the increase cash balances, partially offset by the increase in bank borrowings.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (Continued)

Capital structure

As at 30 June 2019, the issued share capital of the Company was RMB7,138,000, divided into 811,044,000 shares of nominal value of HK\$0.01 each.

Contingent liabilities

As at 30 June 2019, the Group did not have any material contingent liability.

USE OF PROCEEDS

The aggregate net proceeds raised by the Company from the listing of the Company's shares (the "Listing") on the Hong Kong Stock Exchange was RMB451.9 million. During the period from the Listing Date and up to the date of this report, the net proceeds had been applied as follows:

Future plans as stated in the prospectus	Percentage of proceeds as adjusted based on actual net proceeds received ^{Note 1}	Use of proceeds adjusted according to the actual net proceeds from the Listing (RMB million)	Actual use of proceeds from the Listing Date to the date of this report (RMB million)
Repayment of banking facilities ^{Note 2}	27.2%	122.8	122.8
Acquisition of business	24.2%	109.4	–
Expansion of production facility for Prestressed Materials Business ^{Note 3}	21.1%	95.5	–
Expansion of research and development centre for Cable Business ^{Note 4}	13.4%	60.4	–
Purchase of additional production equipment and environmental protection facilities	4.5%	20.4	–
Working capital	9.6%	43.4	–
Total	100%	451.9	122.8

USE OF PROCEEDS (Continued)

Note:

1. The percentage (except for the repayment of banking facilities) were adjusted on a pro rata basis based on the percentage as disclosed in the prospectus of the Company dated 17 May 2019 (the “Prospectus”).
2. The repayment of banking facilities of RMB122.8 million was made pursuant to the irrevocable instruction to repay part of a loan. Please refer to the section headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial Independence” in the Prospectus for details. As of the date of this report, the full amount of RMB122.8 million has been applied.
3. As of the date of this report, the Company has completed substantially all steps for the land acquisition for the construction of the new production facility in Jiujiang, Jiangxi Province and expects the new facility will be completed by June 2020.
4. As of the date of this report, the expansion and upgrading of the Research & Development Centre is well under way, the Company has completed the design phase and entered into the approval process with relevant government authorities.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

MARKET REVIEW

As a manufacturer for construction materials for infrastructure construction projects, we faced significant competition in the market that we operate in during the first half of 2019. During the six months ended 30 June 2019, driven by the 13th Five Year Plan and the “Belt and Road” Initiative, the Chinese government continued its effort in its investment in infrastructure construction, particularly in the transportation sector. In addition, due to U.S. and China trade war over the past year, offshore investments have generally started to flow back to China. As such, we have observed an increase in domestic infrastructure investment in China and this has led to a strong demand for our products, both in the Cable Business and Prestressed Materials Business.

Further, we have also benefited from the high demand for replacement and maintenance of bridge cables which, along with demand from new bridge projects, led to an 80% increase in the revenue generated from our Cable Business during the first half of 2019 as compared to the corresponding period in 2018.

OUTLOOK

Looking ahead, with the 13th Five-Year Plan in place and the “Belt and Road” Initiative, we expect to see an increase in investment in infrastructure construction across China and in particular the Western region of China. We also expect a high demand for replacement and maintenance of bridge cables due to the large number of aging bridges across the world. According to the discussion in the 2018 Chinese Central Economic Work Conference, the emphasis of the Chinese government’s infrastructure construction investment would no longer focus on property development, but in the area of transportation, logistics and technological infrastructure. As such, we can foresee a growing number of infrastructure projects in China and thus a higher demand for our products.

By Order of the Board
Pujiang International Group Limited
Tang Liang
Chairman of the Board

Hong Kong, on 27 August 2019

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As of 30 June 2019, so far as known to the directors of the Company (the “Directors”), the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”) (including those they are taken or deemed to have under such provisions of the SFO) were as follows:

(i) Interest in shares of the Company

Name of director	Capacity	Number of Shares or underlying shares interested ⁽¹⁾	Approximate shareholding percentage(%)
Dr. Tang Liang (“Dr. Tang”)	Interest of a controlled corporation ⁽²⁾	509,203,064 (L)	62.78%
Mr. Ni Xiaofeng	Beneficial owner	1,300,000 (L)	0.16%
Mr. Zhou Xufeng	Beneficial owner	2,520,000 (L)	0.31%

Notes:

1. The letter “L” denotes the entity/person’s long position in the Shares.
2. The 509,203,064 Shares are held by Elegant Kindness Limited (“Elegant Kindness”) which is in turn wholly owned by Dr. Tang. Dr. Tang is deemed or taken to be interested in all the Shares held by Elegant Kindness for the purposes of SFO.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(ii) Interest in shares of associated corporation(s) of the Company

Name of Director	Name of associated corporation	Capacity/Nature	Number of shares in the associated corporation	Approximate shareholding percentage(%)
Dr. Tang	Elegant Kindness	Beneficial owner	50,000	100%
	Shanghai Xiong Ao Enterprise Management Co., Ltd.	Beneficial owner	10,101	1%
	Shanghai Pujiang Cable Co., Ltd.	Beneficial owner	450,000	0.5%

Save as disclosed above, as of 30 June 2019, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 30 June 2019, as far as is known to the Directors, the following person (not being the Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares interested ⁽¹⁾	Approximate shareholding percentage(%)
Elegant Kindness	Beneficial owner	509,203,064 (L)	62.78%

Note:

- The letter "L" denotes the entity/person's long position in the Shares.

Save as disclosed above, and as of 30 June 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

Our Group has adopted a share option scheme (the “Scheme”) pursuant to the shareholders’ written resolution passed on 24 April 2019. The purpose of the Scheme was to provide incentives or rewards to certain eligible persons for their contribution to the growth of our Group or any entity in which our Group holds any equity interests (“Invested Entity”) and to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity. On 3 June 2019, an aggregate of 32,000,000 share options were granted to 2 directors of the Company and 20 employees of the Group under the Scheme.

Details of the movement in options granted under the Scheme during the period from the Listing Date and up to 30 June 2019 were as follows:

Grantee	Date of grant	Number of outstanding share options as at the Listing Date	Number of share options granted during the Reporting Period	Number of share options exercised during the Reporting Period	Number of outstanding share options as at 30 June 2019	Exercise period	Exercise price per share
Director							
Zhou Xufeng	3 June 2019	-	630,000	-	630,000	3 June 2022 to 2 June 2029	HK\$2.80
			630,000	-	630,000	3 December 2022 to 2 June 2029	HK\$2.80
			630,000	-	630,000	3 June 2023 to 2 June 2029	HK\$2.80
			630,000	-	630,000	3 December 2023 to 2 June 2029	HK\$2.80
Ni Xiaofeng	3 June 2019	-	325,000	-	325,000	3 June 2022 to 2 June 2029	HK\$2.80
			325,000	-	325,000	3 December 2022 to 2 June 2029	HK\$2.80
			325,000	-	325,000	3 June 2023 to 2 June 2029	HK\$2.80
			325,000	-	325,000	3 December 2023 to 2 June 2029	HK\$2.80
Others							
20 employees in aggregate	3 June 2019	-	7,045,000	-	7,045,000	3 June 2022 to 2 June 2029	HK\$2.80
			7,045,000	-	7,045,000	3 December 2022 to 2 June 2029	HK\$2.80
			7,045,000	-	7,045,000	3 June 2023 to 2 June 2029	HK\$2.80
			7,045,000	-	7,045,000	3 December 2023 to 2 June 2029	HK\$2.80
			<u>32,000,000</u>	<u>-</u>	<u>32,000,000</u>		

None of the options granted under the Scheme were exercised, cancelled or lapsed during the period from the Listing Date and up to 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events occurred subsequent to 30 June 2019 and up to the date of this report.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2019, the total number of employees in the Group was 423 (31 December 2018: 425). The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance.

MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries and associated companies, or significant investments for the six months ended 30 June 2019. As at the date of this report, the Group has no plan to make any material investment in or acquisition of capital assets. The Group has subsequently entered into an equity transfer agreement with Ossen Group Co. Ltd for the acquisition of 26% equity interest in Shanghai Push Medical Device Technology Co., Limited on 29 August 2019. Please refer to the Company's announcement dated 30 August 2019 for details.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company since the Listing Date and up to 30 June 2019.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group have been reviewed by the audit committee of the Company and by the external auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

The shares of the Company were listed on the Hong Kong Stock Exchange on 28 May 2019. Therefore, the code provisions as set out in the CG Code were not applicable to the Company prior to the Listing Date. The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code throughout the period from the Listing Date up to the date of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Company by the Directors and the relevant employees of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code since the Listing Date and up to 30 June 2019.