PUJIANG INTERNATIONAL GROUP LIMITED
浦江國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2060

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator

海通國際 HAITONG

Joint Bookrunners

海通國際 HAITONG

浦銀國際 SPDB INTERNATIONAL

民銀證券 CMBC SECURITIES COMPANY LIMITED

Joint Lead Managers

海通國際 HAITONG

浦銀國際 SPDB INTERNATIONAL

民銀證券 CMBC SECURITIES COMPANY LIMITED

上銀國際有限公司 BOSC International Company Limited

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

PUJIANG INTERNATIONAL GROUP LIMITED
浦江國際集團有限公司

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	240,000,000 Shares comprising 200,000,000 new Shares and 40,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	24,000,000 Shares (subject to adjustment)
Number of International Offer Shares	:	216,000,000 Shares comprising 176,000,000 new Shares and 40,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$3.55 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	:	HK$0.01 per Share
Stock Code	:	2060

Sole Sponsor and Sole Global Coordinator

海通國際
HAITONG

Joint Bookrunners

海通國際 HAITONG　浦銀國際 SPDB INTERNATIONAL　民銀證券 CMBC SECURITIES COMPANY LIMITED

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents set out in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, 22 May 2019 and, in any event, unless otherwise announced, not later than Friday, 24 May 2019. The Offer Price will be no more than HK$3.55 and is currently expected to be no less than HK$2.56 unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$3.55 for each Offer Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is lower than HK$3.55.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, reduce the indicative offer price range below that which is stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and of our Company at **www.pji-group.com** not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or before Friday, 24 May 2019, unless otherwise announced, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares will be offered and sold only outside the United States in reliance on Regulation S.

17 May 2019

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Wednesday, 22 May 2019
Application lists open[3]	11:45 a.m. on Wednesday, 22 May 2019
Latest time to lodge **WHITE** and **YELLOW** Application Forms and **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 22 May 2019
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 22 May 2019
Application lists close	12:00 noon on Wednesday, 22 May 2019
Expected Price Determination Date[5]	Wednesday, 22 May 2019

Announcement of

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Offer Shares,

to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and of our Company at **www.pji-group.com** on or before	Monday, 27 May 2019
Results of allocations of the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (please refer to the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus)	Monday, 27 May 2019
Results of allocations in the Hong Kong Public Offering to be available at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**), with a "search by ID" or Business Registration Number function	Monday, 27 May 2019

Dispatch/collection of refund cheques or **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications if the final Offer Price is less than the price payable an application (if applicable) on or before[8] & [9]	Monday, 27 May 2019
Dispatch/collection of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful applications on or before[6] & [7]	Monday, 27 May 2019
Dealings in Shares on the Stock Exchange expected to commence at	9:00 a.m. on Tuesday, 28 May 2019

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Wednesday, 22 May 2019, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) If you apply by giving **electronic application instructions** to HKSCC, you should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) We (for ourselves and on behalf of the Selling Shareholders) expect to determine the Offer Price by agreement with the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 22 May 2019 and, in any event, unless otherwise announced, not later than Friday, 24 May 2019. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) by Friday, 24 May 2019, unless otherwise announced, the Global Offering will not proceed and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, 27 May 2019, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of the share certificates and before they become valid do so entirely at their own risk.

(7) Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Forms may collect refund cheques and (where applicable) share certificates in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on Monday, 27 May 2019. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all information required by their Application Form may collect their refund cheques (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participant stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for applicants who apply on **WHITE** Application Forms.

Applicants who apply for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for details.

If an applicant has applied for less than 1,000,000 Hong Kong Offer Shares, the share certificate (if applicable) and/or refund cheque will be despatched by ordinary post (at the applicant's own risk) to the address specified on the Application Form.

(8) Uncollected share certificates and refund cheques will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" in this prospectus.

(9) e-Auto Refund payment instructions and refund cheques will be made/issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price as finally determined is less than the initial Offer Price per Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque, if any.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applications who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

For details of the structure of the Global Offering, including its conditions, you should refer to the section headed "Structure of the Global Offering" in this prospectus.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely for the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction outside Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from the information contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

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

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

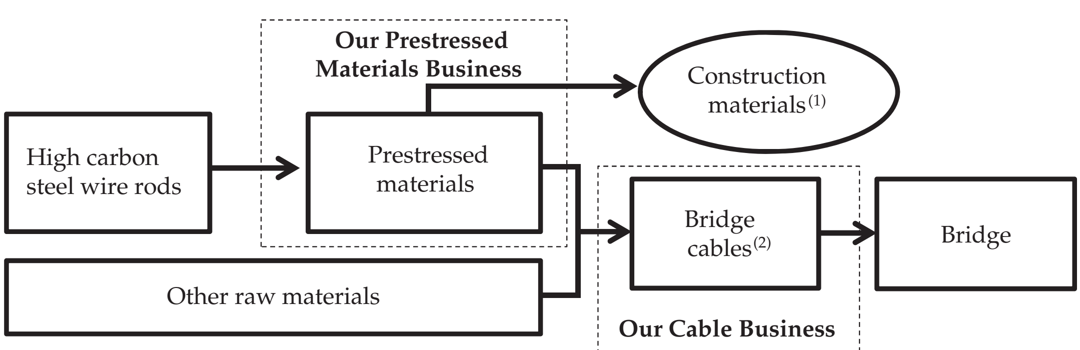
Cable Business. We focus on the manufacture and supply of cables for construction of bridges, with strong technical know-how in super-long-span suspension bridges and super-long-span cable-stayed bridges.

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

Our operations are working capital intensive in nature, which is inherent in our business model. Our liquidity position may be affected by the macroeconomic environment and our business model is susceptible to an economic downturn. Please refer to the paragraph headed "Our Working Capital Management" in this section for details.

OUR BUSINESS

We engage in the bridge cable manufacturing and prestressed materials manufacturing. The following diagram illustrates the relationship between the two business segments that we operate in:



Notes:

(1) Prestressed materials manufacturers mainly supply prestressed materials to construction materials manufacturers as raw materials to produce pre-cast concrete components or other construction materials such as building materials, railways sleepers or oil-drilling platforms.

(2) Prestressed materials manufacturers mainly supply galvanised prestressed materials to bridge cable manufacturers as raw materials to produce bridge cables.

Major customers

For our Cable Business, we conduct sales of our bridge cables generally through participating in competitive bidding process and contract negotiations. Our major customers are project companies and main contractors in bridge construction projects in China. For certain overseas sales such as Korea, we sell to third parties which in turn sell our products to local project companies or contractors. For our Prestressed Materials Business, we generally obtain our customer contracts through our existing customer base and competitive bidding. Our major customers for our Prestressed Materials Business are steel material trading companies and steel material manufacturers.

For the years ended 31 December 2016, 2017 and 2018, our five largest customers of our Group in aggregate accounted for 55.8%, 56.7% and 39.5% of our total revenue, respectively, and our largest customer accounted for 31.3%, 20.7% and 9.5% of our total revenue, respectively.

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

	Year ended 31 December								
	2016			2017			2018		
	Revenue *RMB'000*	**% of revenue**	**Gross profit margin** %	**Revenue** *RMB'000*	**% of revenue**	**Gross profit margin** %	**Revenue** *RMB'000*	**% of revenue**	**Gross profit margin** %
Cable Business	303,275	28.0	34.7	425,803	32.3	34.6	518,797	37.5	36.8
Prestressed Materials Business	778,612	72.0	14.0	891,890	67.7	11.1	864,538	62.5	15.7
Total revenue	1,081,887	100.0	19.8	1,317,693	100.0	18.7	1,383,335	100.0	23.6

The following table sets out the revenue breakdown by geographical location during the Track Record Period.

	Year ended 31 December					
	2016		2017		2018	
	Revenue *RMB'000*	**% of revenue**	**Revenue** *RMB'000*	**% of revenue**	**Revenue** *RMB'000*	**% of revenue**
China	1,038,040	95.9	1,267,900	96.2	1,349,986	97.6
Others [(1)]	43,847	4.1	49,793	3.8	33,349	2.4
Total revenue	1,081,887	100.0	1,317,693	100.0	1,383,335	100.0

Note:

(1) Others include Vietnam, Korea, Japan, Australia, Republic of Costa Rica and Taiwan.

Cable Business

We focus on the manufacture and supply of cables for construction of bridges, with strong technical know-how in super-long-span suspension bridges and super-long-span cable-stayed bridges. In addition, we also manufacture a relatively small number of cables for constructing various architectural structures such as stadiums and exhibition centres.

We mainly manufacture and supply suspension cables (索股) for the fabrication of main cables for suspension bridges and stay cables for cable-stayed bridge. During the Track Record Period, we also derived a small portion of our revenue from the provision of bridge cable installation services. Our bridge cables are currently used on the three largest super-long-span bridges in China being Humen No. 2 Bridge (虎門二橋), Xihoumen Bridge (西堠門大橋) and Runyang Yangtze River Bridge (潤揚長江大橋).

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

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Project type						
Suspension bridge	125,988	41.5	313,798	73.7	221,554	42.7
Cable stayed bridge	167,957	55.4	92,387	21.7	284,965	54.9
Others(1)	9,330	3.1	19,618	4.6	12,278	2.4
Total revenue	303,275	100.0	425,803	100.0	518,797	100.0

Note:

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

Revenue from suspension cable projects decreased by 29.4% from RMB313.8 million in 2017 to RMB221.6 million in 2018 primarily due to the completion of the Humen No. 2 Bridge project which has a high contract value and contributed a significant portion of the revenue generated in 2017. Revenue from stay cable projects increased from RMB92.4 million in 2017 to RMB285.0 million in 2018 mainly due to an increase in the sales from several stay cable bridge projects with high contract value.

Revenue from suspension cable projects increased by 149.1% from RMB126.0 million in 2016 to RMB313.8 million in 2017 primarily due to an increase in sales volume from two super-long-span suspension bridges projects which have relatively higher contract value. Revenue from stay cable projects decreased from RMB168.0 million in 2016 to RMB92.4 million in 2017 due to a decrease in sales volume as the number of stay cable projects decreased from 60 to 41.

Prestressed Materials Business

During the Track Record Period, we derived a significant portion of our revenue from the sales of prestressed materials, which accounted for 72.0%, 67.7% and 62.5% of our Group's revenue, respectively. Our three main types of products are (i) rare earth coated prestressed products, (ii) plain surface prestressed products and (iii) galvanised prestressed products.

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

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Products						
Rare earth coated prestressed products	674,242	86.6	760,922	85.3	685,532	79.3
Plain surface prestressed products	45,461	5.8	46,171	5.2	31,917	3.7
Galvanised prestressed products	49,170	6.3	72,476	8.1	142,274	16.4
Others(1)	9,739	1.3	12,321	1.4	4,815	0.6
Total revenue	778,612	100.0	891,890	100.0	864,538	100.0

Note:

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

Our sales of rare earth coated prestressed products decreased by 9.9% from RMB760.9 million in 2017 to RMB685.5 million in 2018 mainly due to decreased market demand for such products leading to our greater focus on the production and sales of galvanised prestressed products, which requires the use of greater resources in terms of raw materials and labour than rare earth coated prestressed products. Our sales of plain surface prestressed products decreased by 30.9% from RMB46.2 million in 2017 to RMB31.9 million in 2018 mainly due to a decrease in customer demand in such products. Our sales of galvanised prestressed products increased by 96.3% from RMB72.5 million in 2017 to RMB142.3 million in 2018 was primarily due to our greater focus on the production and sales of galvanised prestressed products as well as greater market demand for such products.

Our sales of rare earth coated prestressed products increased by 12.9% from RMB674.2 million in 2016 to RMB760.9 million in 2017 mainly driven by an increase in average selling price to reflect an increase in our average cost of raw materials for our rare earth coated prestressed products. Our sales of plain surface prestressed products increased by 1.6% from RMB45.5 million in 2016 to RMB46.2 million in 2017 was mainly due to the increase in the average selling price of plain surface prestressed products. The increase in sales of galvanised prestressed products by 47.4% from RMB49.2 million in 2016 to RMB72.5 million in 2017 was due the increase in sales volume and higher average selling price of galvanised prestressed products.

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

SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below present selected financial information derived from our consolidated statement of financial position set out in the Accountants' Report in Appendix I to this prospectus as well as certain financial ratios relating to our Group as at the dates or for the years indicated. The following information should be read in conjunction with our consolidated statements of financial position set out in the Accountants' Report, together with the accompanying notes, and the section headed "Financial Information" in this prospectus. Our consolidated statement of financial position has been prepared in accordance with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. Our historical results are not necessarily indicative of results that may be achieved in any future periods.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income Information

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue	1,081,887	100.0	1,317,693	100.0	1,383,335	100.0
Cost of sales	(867,432)	(80.2)	(1,071,786)	(81.3)	(1,056,834)	(76.4)
Gross profit	214,455	19.8	245,907	18.7	326,501	23.6
Other revenue	8,430	0.8	11,406	0.9	11,508	0.8
Other gains and losses	(3,392)	(0.3)	(1,902)	(0.1)	(4,100)	(0.3)
Distribution and selling expenses	(16,153)	(1.5)	(21,316)	(1.6)	(19,754)	(1.4)
Administrative expenses	(28,948)	(2.7)	(38,533)	(2.9)	(33,321)	(2.4)
Research and development expenses	(49,128)	(4.5)	(60,244)	(4.6)	(53,725)	(3.9)
Finance costs	(40,430)	(3.7)	(34,469)	(2.6)	(54,658)	(4.0)
Profit before tax	84,834	7.8	100,849	7.7	172,451	12.5
Income tax expense	(9,956)	(0.9)	(12,177)	(0.9)	(23,853)	(1.7)
Profit for the year	74,878	6.9	88,672	6.7	148,598	10.7
Profit attributable to:						
Owners of the Company[(1)]	**58,403**	**5.4**	**71,514**	**5.4**	**115,851**	**8.4**
Non-controlling interests[(2)]	16,475	1.5	17,158	1.3	32,747	2.4
	74,878	6.9	88,672	6.7	148,598	10.7

Notes:

(1) Profit attributable to owners of the Company were derived from its majority interests in our Cable Business and its majority interests in our Prestressed Materials Business.

(2) Profit attributable to non-controlling interests refer to the minority interests in our Cable Business held by Dr. Tang and the minority interests in our Prestressed Materials Business held by various shareholders including the interests held by public shareholders of Ossen Innovation, which is listed on the NASDAQ. Please refer to the corporate and shareholding structure of our Group during the Track Record Period in the section headed "History, Reorganisation and Group Structure — Reorganisation — 7. Capitalisation Issue" for details of the non-controlling interests in our Group.

During the Track Record Period, our revenue was derived from our Cable Business and Prestressed Materials Business. Revenue from our Cable Business accounted for 28.0%, 32.3% and 37.5% of our total revenue in 2016, 2017 and 2018, respectively. Revenue from Prestressed Materials Business accounted for 72.0%, 67.7% and 62.5% of our total revenue in 2016, 2017 and 2018, respectively. Our revenue increased by 21.8% from RMB1,081.9 million in 2016 to RMB1,317 million in 2017 due to (i) an increase of 40.4% in our revenue from our Cable Business mainly attributable to an increase in sales from suspension cable projects; and (ii) an increase of 14.5% in our revenue from our Prestressed Materials Business mainly attributable to an increase in sales of our rare earth coated prestressed products. Our revenue was further increased by 5.0% from RMB1,317.7 million in 2017 to RMB1,383.3 million in 2018 mainly due to an 21.8% increase in revenue from our Cable Business as a result of an increase in sales from stay cable projects, partly offset by a 3.1% decrease in revenue from the Prestressed Materials Business.

In 2018, our cost of sales decreased by 1.4% from RMB1,071.8 million in 2017 to RMB1,056.8 million in 2018 mainly due to the decrease in sales volume for our Prestressed Materials Business. Our cost of sales did not increase in line with the revenue in 2018 mainly due to the 8.1% decrease in costs of sales in our Prestressed Materials Business partially offset by the 17.8% increase in the cost of sales for our Cable Business.

For the years ended 31 December 2016, 2017 and 2018, our gross profit was RMB214.5 million, RMB245.9 million and RMB326.5 million, respectively, and our gross profit margin was 19.8%, 18.7% and 23.6% for the respective year. Changes to our overall gross profit margins during the Track Record Period primarily reflected changes in average selling prices, the cost of raw materials as well as the revenue contribution and product mix between our Cable Business and Prestressed Materials Business. The gross profit margin for our Cable Business was generally higher than our Prestressed Materials Business during the Track Record Period. The gross profit margins of our Cable Business was 34.7%, 34.6% and 36.8% in 2016, 2017 and 2018, respectively and vary based on each project that we bid for and enter into contract with. The gross profit margins of our Prestressed Materials Business was 14.0%, 11.1% and 15.7% in 2016, 2017 and 2018, respectively and vary based on the type of products we sell, which in turn are based on market demand and the customer orders received. Our overall gross profit margin decreased from 19.8% in 2016 to 18.7% in 2017 mainly attributed by the decrease in gross profit margin of our Prestressed Materials Business. Our overall gross profit margin increased from 18.7% in 2017 to 23.6% in 2018 primarily due to an increase in gross profit margin from the Prestressed Materials Business in 2018, coupled with a higher revenue contribution from the Cable Business, which had a higher gross profit margin of 36.8% in 2018, as compared to our sales from our Prestressed Materials Business, which had a gross profit margin of 15.7% in 2018.

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

Summary Consolidated Statements of Financial Position Information

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets	1,521,704	1,760,196	2,376,921	2,494,373
Current liabilities	674,464	774,011	1,276,460	1,447,725
Net current assets	847,240	986,185	1,100,461	1,046,648

For details of our summary of consolidated statements of financial position, please refer to the section headed "Financial Information — Cash Flows — Net current assets".

Summary Consolidated Cash Flow Statements Information

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Operating profits before working capital changes	139,808	142,446	235,878
Net cash flow generated from/(used in) operating activities	56,613	(171,064)	(137,328)
Net cash flow generated from/(used in) investing activities	42,457	12,917	(19,183)
Net cash flow generated from/(used in) financing activities	(55,049)	66,851	204,352
Net increase/(decrease) in cash and cash equivalents	44,021	(91,296)	47,841
Cash and cash equivalents at the end of the year	104,881	13,571	61,401

We had net current assets of RMB847.2 million, RMB986.2 million, RMB1,100.5 million and RMB1,046.6 million as at 31 December 2016, 2017, 2018 and 31 March 2019, respectively. However, we recorded net cash used in operating activities of RMB171.1 million in 2017 and RMB137.3 million in 2018.

Net cash flow used in operating activities in 2018 (excluding income taxes paid of RMB15.1 million) was RMB122.2 million, while profit before income tax was RMB172.5 million. After adjusting for non-cash items, our operating profits before working capital changes was RMB235.9 million in 2018, and accordingly, net working capital usage was RMB358.1 million for the year. Changes in working capital consisted mainly of (i) an increase of RMB262.1 million in trade, retention and bills receivables primarily because we recognised revenue from a significant numbers of bridge cable projects during the 4th quarter of 2018 including Egongyan Railway Bridge, Qatar Stadium, Qimen Port Bridge and Shenhai Fisheries anchoring cable, the receivables of which remained outstanding as of 31 December 2018, (ii) a RMB245.7 million increase in prepayments, deposits and other receivables due to (a) an increase in prepayment for procuring raw materials for several upcoming bridge cable projects and (b) increase in prepayments as we had to provide extra prepayment to procure our semi-finished galvanised products for further processing prior to the restoration in December 2018 of our galvanisation production line from the power interruption at our Jiujiang production facility as well as increased demand for galvanised prestressed products and (c) an increase in prepayments to our suppliers, and in particular, the Shagang Group in order to secure favourable treatment in terms of supply of raw materials; and (iii) an increase in trade and bills payables of RMB166.4 million as a result of (a) an increase in trade payables for purchases of raw materials and (b) an increase in bills payables as we increased our use of bills payables for working capital purposes in our Cable Business.

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

Key Financial Ratios

	As at/Year ended 31 December		
	2016	**2017**	**2018**
Current ratio(1)	2.26	2.27	1.86
Quick ratio(2)	1.92	2.10	1.72
Return on assets(3)	4.3%	4.6%	5.9%
Return on equity(4)	7.4%	8.1%	11.9%
Gearing ratio(5)	38.5%	44.1%	58.7%
Net debt to equity ratio(6)	28.0%	42.8%	53.8%
Net profit margin(7)	6.9%	6.7%	10.7%

Notes:

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

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

(3) Return on assets is calculated by dividing profit for the year by total assets as at the end of the year.

(4) Return on equity is calculated by dividing profit for the year by total equity as at the end of the year.

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

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

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

OUR WORKING CAPITAL MANAGEMENT

Our operations are working capital intensive in nature, which is inherent in our business model. We utilise a significant amount of working capital for upfront prepayment to our suppliers for procuring raw materials for our products in both our Cable and Prestressed Materials Business and to provide deposit guarantees (in terms of tender and performance bonds) for our Cable Business. We generally provide prepayments to our primary suppliers of up to 80% of our estimated 12 months procurement volume on a rolling basis (for our Prestressed Materials Business) or total contract value (for our Cable Business). Such high percentage of prepayments are common in the Cable Business industry we operate in because suppliers tailor make our supplies in accordance with our specifications and are common in the Prestressed Materials Business industry in order to secure favourable treatment in terms of pricing and supply, according to Frost & Sullivan. Please refer to the section headed "Financial Information — Liquidity and Capital Resources — Working capital" for illustrations for our payments and receipts timeframe of a typical project for our Cable Business and our Prestressed Materials Business.

Our liquidity position may be affected by the macroeconomic environment and our business model is susceptible to an economic downturn. An economic downturn may hinder our ability to maintain adequate working capital through cash generated from operations or through our banking credit facilities, which may affect our liquidity position. Insufficient working capital and liquidity may have material and adverse effect on our business, financial condition and results of operations. For risks in relation to an economic downturn, please refer to the section headed "Risk Factors — Risks Relating to Conducting Business in China — The economic, political, legal and social conditions, government policies or any economic downturn in the PRC could affect our business".

In 2018, our net cash used in operating activities was RMB137.3 million primarily due to the increase in the sales in our Cable Business as well as increased prepayments as a result of increased backlog of the Cable Business. In 2017, our net cash used in operating activities was RMB171.1 million mainly due to the business expansion in our Cable Business and an increase of prepayment to the Shagang Group. For risks in relation to our liquidity, please refer to the sections headed "Risk Factors — Risks Relating to our Business and Industry — We recorded operating cash outflows for 2017 and 2018 because our operations are working capital intensive; any insufficient levels of liquidity may adversely affect our cash flow and working capital and results of operations" and "— We may experience delays or defaults in payment of trade and retention receivables from our customers, and we have a significant mismatch between our trade receivables and trade payables turnover days, which may adversely affect our cash flow and working capital and results of operations".

In addition, the products of our Cable Business and Prestressed Materials Business are mainly for use in infrastructure construction, in particular transportation infrastructure projects, any economic downturn in China may lead to a negative effect to the construction industry. As infrastructure construction projects involves huge capital and investment, any cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new development initiatives by the government could affect the progress and scale of a construction project, which may affect the demand for our products and our liquidity position.

Liquidity Management Measures

During the Track Record Period, we have implemented liquidity management measures at both the project level and at the business unit level. At the project level, we have dedicated a project manager from our sales team for each specific project and our finance team will act as a supporting function to monitor the status of the trade receivables. After we have signed the contract with the customer, our finance team would establish an invoicing schedule setting out the approximate time for invoice issuance based on the delivery schedule as stipulated in the contract. Upon confirmation of receipt of delivery by the customer, our sales team would inform the finance team, which would normally issue the invoice to the customer at month end. Both the finance team and sales team would review and monitor the status of any outstanding invoices and the status of the settlement of such invoices. For overdue trade receivables, the sales team would take more proactive steps to liaise with these customers, including making telephone phone calls, making sales visits and sending payment reminders.

At the business unit level, our senior management and executive Directors also regularly communicate with the sales and finance team, monitoring the status of trade receivables and determine if any follow-up actions, including extending the credit period, would be needed to recover any overdue trade receivables. In addition, at the beginning of each month, our finance team would assess the amount of overall working capital that our Group requires for the month, which may include any prepayments, trade payables, tender bonds and other operating expenses for the month. Based on the cash balance we have on hand, the finance team would determine whether any drawdown from our unutilised banking facilities is needed. Moreover, our finance team also regularly monitors the ageing of our trade receivables and liaise with our sales team to track and monitor the status of our outstanding trade receivables, and to make appropriate provisions as necessary.

We have continued monitoring the cash flow movements for our customer orders and have adopted the following measures to improve our cash flow position:

- closely monitor the invoicing schedule and payment recovery process by our project managers;

- proactively monitor the status of the outstanding invoices and take necessary follow-up actions by our sales team such as making telephone calls to customers to remind them on the invoice status, making sales visits and sending payment reminders;

- negotiate payment terms with our suppliers allowing our Group to have longer payment and settlement period by our procurement team; and

- ensure that our sales are made to customers with good credit histories and our sales team regularly performs credit evaluations on our customers by assessing their current financial position.

Since we have implemented the above liquidity management measures during the Track Record Period, we have not experienced any major difficulties with maintaining sufficient working capital notwithstanding the growth in our business. However, to the extent we expect to have working capital issues or in case of an economic downturn in China that may affect our business, we may reduce the number and/or value of projects we bid for under our Cable Business or take on fewer orders from our customers under our Prestressed Materials Business in order to ensure that we have sufficient amount of working capital for our business operations. We may take more proactive steps in closely monitoring the status of the outstanding invoices and take necessary follow up actions such as making telephone calls, making sales visits and sending payment reminders to customers to settle their outstanding invoices in order to recover the outstanding trade receivables and further negotiate with our major suppliers to reduce the level of prepayment for raw materials. We may also request suppliers to return part of the prepayment for our raw materials, subject to negotiation with the suppliers.

OUR PRODUCTION

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

	Year ended 31 December								
	2016			2017			2018		
Business segment	Production capacity(1) *(tonnes)*	Actual production volume *(tonnes)*	Utilisation rate(2) *(%)*	Production capacity(1) *(tonnes)*	Actual production volume *(tonnes)*	Utilisation rate(2) *(%)*	Production capacity(1) *(tonnes)*	Actual production volume *(tonnes)*	Utilisation rate(2) *(%)*
Cable Business	40,000	23,677	59.2	40,000	39,443	98.6	40,000	46,396	116.0
Prestressed Materials Business									
– plain surface prestressed products(3)	91,000	9,255	10.2	91,000	10,796	11.9	91,000	5,481	6.0
– rare earth coated prestressed products(4)	269,000	249,397	92.7	269,000	213,628	79.4	269,000	157,130	58.4
– galvanised prestressed products(5)	30,000	12,243	40.8	30,000	10,903	36.3	30,000	30,563	101.9

Notes:

(1) Production capacity for our Cable Business is determined on the basis of the optimal production speed of various production machines, number of production personnel, 300 working days per calendar year, taking into account staff holidays and public holidays and maintenance schedules. With one additional workshift, we would be able to increase our production capacity to 60,000 tonnes without expanding our production equipment in order to meet future demand. The actual production capacity may also vary depending on the specification of the cable product being produced.

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

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

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

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

The utilisation rate for our Cable Business increased from 59.2% in 2016 to 98.6% in 2017. This increase was mainly due to the increasing sales volume of our bridge cables from 27,327 tonnes in 2016 to 39,442 tonnes in 2017 from sales to projects with higher contract values. The utilisation rate increased from 98.6% in 2017 to 116.0% in 2018 due to continued strong demand for our bridge cables, as a result, our sales volume for our bridge cables increased from 39,442 tonnes in 2017 to 42,592 tonnes in 2018.

For our plain surface prestressed products, our utilisation rate was low due to low demand for our plain surface prestressed products and we focused our sales and production efforts in our galvanised prestressed products, which had higher demand.

For our rare earth coated prestressed products, our utilisation rate fluctuated during the Track Record Period. The utilisation rate decreased from 92.7% in 2016 to 79.4% in 2017 due to a decrease in sales volume of rare earth coated prestressed products. The utilisation rate further decreased to 58.4% in 2018 due to lower market demand for our rare earth coated prestressed products leading to our greater focus on the production and sales of galvanised prestressed products, which requires the use of greater resources in terms of raw materials and labour than rare earth coated prestressed products.

For our galvanised prestressed products, our utilisation rate decreased slightly from 40.8% in 2016 to 36.3% in 2017 due to a decrease in production volume as we sold more of the inventories produced in 2016, but the utilisation rate significantly increased to 101.9% in 2018. The increase in utilisation rate in 2018 was mainly due to increased demand for galvanised prestressed products from construction companies as well as cable manufacturers coupled with our greater focus on the production and sales of galvanised prestressed products to meet such demand. From July to December 2018, we experienced a power interruption for part of our galvanisation production line due to a construction accident affecting a high power transmission cable while the government was making road repairs nearby our Jiujiang production facilities, rendering certain equipment inoperable. The affected equipment is used for the "galvanisation" stage for our galvanised prestressed products. The utilisation rate for galvanised prestressed products was not impacted by the power interruption because we instead purchased a greater amount of semi-finished galvanised prestressed materials from our suppliers and further processed them through the "stabilisation" stage to produce our final products and the utilisation rate is calculated based on the capacity at the "stabilisation" stage of 30,000 tonnes per year. Around the end of December 2018, the power supply was restored and our galvanisation production line resumed its normal operations.

Please refer to the section headed "Business — Our Production" for further analysis on the utilisation rate.

Our Production Facilities

We conduct all of our manufacturing operations at our production facilities in China. We manufacture products for our Cable Business at our main facility in Xitang, China while we manufacture products for our Prestressed Materials Business at our facilities in Maanshan and Jiujiang, China. Please refer to the section headed "Business — Our Production — Our Production Facilities" in this prospectus for further details on our production facilities.

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

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

COMPETITIVE STRENGTHS

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

- We are a leader in the bridge cables manufacturing industry and the prestressed materials manufacturing industry in China
- We possess strong research and technological development capabilities and robust know-how
- We own industry-leading production facilities and have stringent control in our manufacturing process
- We have a strong customer base and close relationship with key suppliers
- We have an experienced management team and technical staff with prominent industry experience

BUSINESS STRATEGIES

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

- We seek to enhance our leading market position by capturing the growing market opportunities in the fast-growing infrastructure market both in China and overseas
- We plan to continue to upgrade and increase our production facilities and enhance our operational effectiveness

- We will continue to invest in advancing our research and development capabilities
- We seek to enhance our competitiveness by exploring business acquisition opportunities in the industry and expand our overseas customer base

LISTING ON OTHER STOCK EXCHANGES

Ossen Innovation, our subsidiary which holds our Prestressed Materials Business, has ADSs listed on the NASDAQ Capital Market (stock code: OSN). Ossen Innovation is and will remain listed on the NASDAQ Capital Market following the Listing.

Shanghai Pujiang, our subsidiary which holds our Cable Business, submitted a listing application to the China Securities Regulatory Commission on 10 June 2015. However, given the large number of listing applications which rendered the listing timetable uncertain, and our Group's subsequent business strategy to consolidate the Cable Business and the Prestressed Materials Business, Shanghai Pujiang withdrew its listing application in the second half of 2016 and considered alternative methods of listing or capital raising. No comments had been received from the CSRC or the Shanghai Stock Exchange on Shanghai Pujiang's listing application at the time of withdrawal.

For further information on the listing of Ossen Innovation, the aborted listing application by Shanghai Pujiang and our Group's subsequent business strategy to consolidate the Cable Business and the Prestressed Materials Business, please refer to "History, Reorganisation and Group Structure — Listing on Other Stock Exchanges" in this prospectus.

INFORMATION OF OUR CONTROLLING SHAREHOLDERS

Following completion of the Global Offering and assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Share Option Scheme, each of Dr. Tang and Elegant Kindness is a Controlling Shareholder of our Company holding approximately 63.65% of the issued share capital of our Company. For further information on our Controlling Shareholder, please refer to "Relationship with Controlling Shareholders" in this prospectus.

GLOBAL OFFERING STATISTICS(1)

The statistics below are based on the assumption that 200,000,000 new Shares are issued under the Global Offering:

	Based on the low end of the indicative Offer Price range of HK$2.56 per Share	**Based on the high end of the indicative Offer Price range of HK$3.55 per Share**
Market capitalisation of our Shares(2)	HK$2,048 million	HK$2,840 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(3)	HK$2.30	HK$2.55

Notes:

(1) All statistics presented herein are based on the assumption that the Over-allotment Option is not exercised and do not take into account any Shares which may be issued pursuant to the exercise of options under the Share Option Scheme.

(2) The calculation of market capitalisation is based on the assumption that 800,000,000 Shares will be in issue immediately following completion of the Capitalisation Issue and the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments set out in the section headed "Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" in, and the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of 800,000,000 Shares to be in issue immediately following completion of the Capitalisation Issue and the Global Offering.

DIVIDEND

For the years ended 31 December 2016, 2017 and 2018, and up to the date of this prospectus, no dividend has been declared or paid by us. We have no plan to pay or declare any dividends prior to the Listing. As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

The recommendation of the payment of dividend is subject to the absolute discretion of our Board, subject to applicable laws and regulations, and, after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Such discretion to be exercised by the Board is subject to any applicable laws. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. Please refer to section headed "Financial Information — Dividend" for details.

USE OF PROCEEDS

The net proceeds from the Global Offering (excluding the net proceeds from the Sale Shares), after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK$572.1 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$3.06 per Share, being the mid-point of the indicative Offer Price range of HK$2.56 to HK$3.55 per Share. Our Company will not be entitled to the net proceeds from the Sale Shares. We intend to use such net proceeds for the following purposes:

- approximately HK$138.4 million (approximately 24.2% of our total estimated net proceeds) is expected to be used for the repayment of banking credit facilities obtained during our ordinary course of business primarily for the funding of our working capital that were secured by various personal and corporate guarantees;

- approximately HK$144.2 million (approximately 25.2% of our total estimated net proceeds) is expected to be used for the acquisition of business in order to strengthen our competitiveness or potentially increase our scale of production by June 2021;

- approximately HK$126.0 million (approximately 22.0% of our total estimated net proceeds) is expected to be used for the expansion of production capacity of galvanised prestressed products for our Prestressed Materials Business at Jiujiang, Jiangxi Province;

- approximately HK$79.2 million (approximately 13.9% of our total estimated net proceeds) is expected to be used for the expansion of research and development centre for our Cable Business;

- approximately HK$26.9 million (approximately 4.7% of our total estimated net proceeds) is expected to be used for the purchase of additional production equipment and environmental protection facilities including waste treatment facilities for our Prestressed Materials Business at Jiujiang, Jiangxi Province; and

- approximately HK$57.4 million (approximately 10.0% of our total estimated net proceeds) is expected to be used for working capital and general corporate purposes. We plan to use part of the net proceeds reserved for working capital purposes to settle the outstanding amounts of approximately RMB22.7 million as at 31 March 2019 due to Dr. Tang upon Listing.

For more information, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus.

RISK FACTORS

Our business is subject to a number of risks, including but not limited to risks relating to our business and industry, risks relating to conducting business in China, risks relating to the Global Offering and our Shares and listing of Ossen Innovation on NASDAQ. In particular:

- we recorded operating cash outflows for 2017 and 2018 because our operations are working capital intensive; any insufficient levels of liquidity may adversely affect our cash flow and working capital and results of operations;

- we may experience delays or defaults in payment of trade and retention receivables from our customers, and we have a significant mismatch between our trade receivables and trade payables turnover days which may adversely affect our cash flow and working capital and results of operations;

- our revenues are dependent on our five largest customers and the loss of any one of them may have a material and adverse impact on our business, financial condition and results of operations;

- we procure a significant portion of our raw materials from our five largest suppliers; and

- our business, financial condition and results of operations may be affected by changes in the PRC government policies with respect to the infrastructure construction industry.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should refer to the entire section headed "Risk Factors" in this prospectus carefully before you decide to invest in the Offer Shares. You should not place any reliance on any information contained in press articles, research analysts' reports or other media regarding us and the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since 1 January 2019 and up to the Latest Practicable Date, we have secured several significant bridge cable projects in China. We were awarded 14 new contracts with a tender success rate of 77.8% and the aggregate amount of our total newly signed contract value in 2019 was approximately RMB350.3 million. For the three months ended 31 March 2019 compared to the same period in 2018, we recorded improved financial performance mainly attributable to the increase in the number of bridge cable projects for our Cable Business.

Our Directors have confirmed that, since 31 December 2018 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report in Appendix I to this prospectus.

LISTING EXPENSES

The total estimated expenses in relation to the Listing are approximately RMB57.7 million (based on the mid-point of the indicative Offer Price range and assuming that the Over-allotment Option is not exercised), of which approximately RMB54.4 million is borne by our Group and approximately RMB3.3 million is borne by the Selling Shareholders. During the Track Record Period, we incurred listing expenses of RMB19.8 million, of which RMB14.8 million was charged to our consolidated statement of profit or loss and other comprehensive income and the remaining amount of RMB5.0 million was recorded as prepayment which is expected to be capitalised upon Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately RMB34.6 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of approximately RMB14.8 million will be charged to our consolidated statement of profit or loss and other comprehensive income in 2019, and an estimated amount of approximately RMB19.8 million will be capitalised in 2019. We do not expect these listing expenses to have a material impact on our business and results of operations for the year ended 31 December 2019.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings. Certain technical terms are set out in the section headed "Glossary of Technical Terms" in this prospectus.

"Acme Innovation"	Acme Innovation Limited, a company incorporated under the laws of the BVI on 28 May 2018 with limited liability, a wholly-owned subsidiary of our Company
"ADSs"	American depositary shares of Ossen Innovation which are listed on NASDAQ
"Anhui High-Technology"	Anhui Province High-Technology Limited Liability Company* (安徽省高新創業投資有限責任公司), a company incorporated in the PRC and a minority shareholder of Ossen Innovation Materials
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 24 April 2019 with effect from the Listing Date, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"Brilliance Benefit"	Brilliance Benefit Holding Limited, a company incorporated under the laws of the BVI on 11 May 2017 with limited liability, a Shareholder and a Selling Shareholder
"business day(s)"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cable Business"	means the business operations focusing on the manufacture and supply of bridge cables principally carried out by Shanghai Pujiang and Zhejiang Pujiang

"CAGR"	compound annual growth rate, a measurement to assess the growth rate of value over time
"Capitalisation Issue"	the issue of 599,831,240 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further Information about our Group — 4. Resolutions in writing passed by our Shareholders passed on 24 April 2019" under the section headed "Statutory and General Information" in Appendix IV to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan in this prospectus
"Co-Lead Managers"	I Win Securities Limited, Head & Shoulders Securities Limited and Sinomax Securities Limited
"Companies Law"	Companies Law (2018 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company", "our Company" or "the Company"	Pujiang International Group Limited 浦江國際集團有限公司, an exempted company incorporated in the Cayman Islands with limited liability on 26 April 2017
"connected person"	has the meaning ascribed to it in the Listing Rules
"connected transaction"	has the meaning ascribed to it in the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and for the purpose of this prospectus, refers to any of Dr. Tang and Elegant Kindness
"core connected person"	has the meaning ascribed to it in the Listing Rules
"Deed of Indemnity"	the deed of indemnity dated 11 May 2019 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries)
"Deed of Non-Competition"	the deed of non-competition dated 11 May 2019 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries)
"Director(s)"	the director(s) of our Company
"Dr. Tang"	Dr. Tang Liang (湯亮), our executive Director and a Controlling Shareholder
"Effectual Strength"	Effectual Strength Enterprises Limited, a company incorporated under the laws of the BVI on 22 June 2009 with limited liability, which is wholly owned by Dr. Tang
"EIT" or "Enterprise Income Tax"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)
"Elegant Kindness"	Elegant Kindness Limited, a company incorporated under the laws of the BVI on 6 January 2017 with limited liability, which is wholly-owned by Dr. Tang and is a Controlling Shareholder

"Fascinating Acme"	Fascinating Acme Development Limited, a company incorporated under the laws of the BVI on 16 March 2010 with limited liability, which is wholly owned by Ms. Gu Xiamin (顧霞敏), the spouse of Mr. Hua Wei (華偉) who is a director of Ossen Innovation
"Five Standers"	Five Standers Holding Limited, a company incorporated under the laws of the BVI on 29 May 2017 with limited liability, and a Shareholder
"Frost & Sullivan"	an independent market research and consulting company which prepared the industry report
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gross Inspiration"	Gross Inspiration Development Limited, a company incorporated under the laws of the BVI on 16 March 2010 with limited liability, which is wholly owned by Ms. Chen Yan (陳彥), the spouse of Mr. Zhou Xufeng (周旭峰) who is an executive Director
"Group", "our Group", "the Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"**HK eIPO White Forms**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**

"HKFRS"	Hong Kong Financial Reporting Standards, which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKAS), Interpretations, and Accounting Guidelines, issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong dollar(s)" or "HK dollar(s)" or "HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	24,000,000 Shares initially being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment and reallocation), as set out in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment and reallocation) at the Offer Price (plus brokerage, SFC transaction levies and Stock Exchange trading fees) on the terms and subject to the conditions described in this prospectus and the Application Forms
"Hong Kong Takeovers Code" or "Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated 16 May 2019, relating to the Hong Kong Public Offering, entered into among, our Company, Dr. Tang, Elegant Kindness, the Selling Shareholders, Mr. Lu, Mr. Wang, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as set out in the section headed "Underwriting" in this prospectus
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"Innovation Material Research Institute"	Shanghai Innovation Material Industrial Technology Research Institute Company Limited* (上海新材料產業技術研究院有限公司), previously known as Shanghai Ossen Material Research Institute Limited Company* (上海奧盛材料研究所有限公司), a company incorporated under the laws of the PRC on 12 May 1997, which is ultimately controlled by Dr. Tang
"International Offer Shares"	216,000,000 Shares (comprising 176,000,000 new Shares initially offered by our Company for subscription and 40,000,000 Sale Shares initially offered by the Selling Shareholders for sale) at the Offer Price, subject to adjustment set out in the section headed "Structure of the Global Offering" in this prospectus and the Over-allotment Option, under the International Offering
"International Offering"	the conditional offering of the International Offer Shares at the Offer Price to professional, institutional and other investors, as set out in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering expected to be entered into among, our Company, Dr. Tang, Elegant Kindness, the Selling Shareholders, Mr. Lu, Mr. Wang, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date

"Joint Bookrunners"	Haitong International Securities Company Limited, CMBC Securities Company Limited and SPDB International Capital Limited
"Joint Lead Managers"	Haitong International Securities Company Limited, CMBC Securities Company Limited, SPDB International Capital Limited and BOSC International Company Limited
"Kunshan Zhongke"	Kunshan Zhongke Kunkai Investment Co., Ltd.* (昆山中科昆開創業投資有限公司), a company incorporated under the laws of PRC on 5 May 2011 with limited liability, a former shareholder of Shanghai Pujiang which was owned by Independent Third Parties
"Latest Practicable Date"	7 May 2019, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the board of directors of the Stock Exchange
"Listing Date"	the date, expected to be on or about Tuesday, 28 May 2019, on which the dealings in our Shares first commence on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"m."	metre
"Maanshan Cihu"	Maanshan Cihu High-Technology Industrial Development Zone Investment Development Limited Company* (馬鞍山慈湖高新技術產業開發區投資發展有限公司), a company incorporated in the PRC and a minority shareholder of Ossen Innovation Materials
"Maanshan Huishen"	Maanshan Huishen Agriculture Development Limited Company* (馬鞍山匯申農業發展有限公司), a company incorporated in the PRC and a minority shareholder of Ossen Innovation Materials
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on 24 April 2019 with effect from Listing Date, as amended, supplemented or otherwise modified from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Lu"	Mr. Lu Lin (路林), a PRC national and an indirect shareholder of our Company
"Mr. Man"	Mr. Man Yat Man, an Australian national and an indirect shareholder of our Company
"Mr. Wang"	Mr. Wang Jianhua (王建華), a PRC national and an indirect shareholder of our Company
"NASDAQ"	the NASDAQ Stock Market in the United States
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levies and Stock Exchange trading fee), at which the Offer Shares are to be offered pursuant to the Global Offering
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Ossen Group (Asia)"	Ossen Group (Asia) Co., Limited* (奧盛集團(亞洲)有限公司), a company incorporated under the laws of the BVI on 2 February 2002 with limited liability, a wholly-owned subsidiary of our Company
"Ossen Group HK"	Ossen Group Co., Limited (奧盛集團有限公司), a company incorporated under the laws of Hong Kong on 21 September 2016 with limited liability, a wholly-owned subsidiary of our Company
"Ossen Group PRC"	Ossen Group Co., Ltd.* (奧盛集團有限公司), previously known as Shanghai Ossen Investment Holding (Group) Co., Ltd.* (上海奧盛投資控股(集團)有限公司), a company incorporated under the laws of the PRC on 1 April 2004, which is ultimately controlled by Dr. Tang

"Ossen Innovation"	Ossen Innovation Co., Ltd., a company incorporated under the laws of the BVI on 21 January 2010 with limited liability and listed on NASDAQ Capital Market in the United States, a subsidiary of our Company
"Ossen Innovation Materials"	Ossen Innovation Materials Co., Ltd.* (奧盛新材料股份有限公司), previously known as Ossen (Maanshan) Steel Wire & Cable Co., Ltd.* (奧盛（馬鞍山）鋼綫鋼纜有限公司), a company incorporated under the laws of the PRC on 27 October 2004 with limited liability, a subsidiary of our Company
"Ossen Innovation Materials Group"	Ossen Innovation Materials Group Co., Ltd., a company incorporated under the laws of the BVI on 30 April 2010, a wholly-owned subsidiary of our Company
"Ossen (Jiujiang)"	Ossen (Jiujiang) Innovation Materials Co., Ltd. (奧盛（九江）新材料有限公司), previously known as Ossen (Jiujiang) Steel Wire & Cable Co., Ltd.* (奧盛（九江）鋼綫鋼纜有限公司), a company incorporated under the laws of the PRC on 13 April 2005, a wholly-owned subsidiary of our Company
"Over-allotment Option"	the option expected to be granted by the Company and the Selling Shareholders to the Sole Global Coordinator on behalf of the International Underwriters, pursuant to which the Company may be required to offer up to 30,000,000 Shares and the Selling Shareholders may be required to sell up to an aggregate of 6,000,000 Shares (in aggregate representing approximately 15% of the Shares initially being offered under the Global Offering) to, among other things, cover over-allocations in the International Offering (if any) pursuant to the International Underwriting Agreement
"PRC government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
"PRC Legal Advisers"	Grandall Law Firm (Shanghai), the legal adviser to our Company as to the laws of the PRC

"Prestressed Materials Business"	means the business operations focusing on the manufacture of prestressed materials carried out by Ossen Innovation Materials and Ossen (Jiujiang)
"Price Determination Agreement"	the agreement to be entered into between our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date to record and determine the Offer Price
"Price Determination Date"	the date, expected to be on or about Wednesday, 22 May 2019, on which the Offer Price is determined for the purposes of the Global Offering, and in any event no later than Friday, 24 May 2019, or such other date as agreed between the parties to the Price Determination Agreement
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation of our Group for the purposes of the Listing, details of which are set out in the section headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of China
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	40,000,000 Shares to be offered for sale, and up to additional 6,000,000 Shares to be offered for sale if the Over-allotment option is fully exercised, by the Selling Shareholders at the Offer Price under the International Offering
"SAT"	the State Administration of Taxation (中華人民共和國國家稅務總局)
"Selling Shareholders"	Brilliance Benefit and Xinland Investment
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Ossen Investment"	Shanghai Ossen Investment Co., Ltd.* (上海奧盛投資有限公司), a company incorporated under the laws of the PRC on 28 November 2001 with limited liability, which is ultimately controlled by Dr. Tang
"Shanghai Pujiang"	Shanghai Pujiang Cable Co., Ltd.* (上海浦江纜索股份有限公司), a company incorporated under the laws of the PRC on 16 August 1994 with limited liability, a subsidiary of our Company
"Shanghai Pujiang Cable Installation Engineering"	Shanghai Pujiang Cable Installation Engineering Co., Ltd.* (上海浦江纜索安裝工程有限公司), a company incorporated under the laws of the PRC on 28 July 2011 with limited liability, a wholly-owned subsidiary of our Company
"Shanghai Xiong Ao"	Shanghai Xiong Ao Enterprise Management Co., Ltd.* (上海雄傲企業管理有限公司), a company incorporated under the laws of the PRC on 5 June 2018 with limited liability, a subsidiary of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 24 April 2019 and effective upon the Listing, the principal terms of which are set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Sole Global Coordinator" or "Stabilising Manager"	Haitong International Securities Company Limited, being one of the Joint Bookrunners and Joint Lead Managers
"Sole Sponsor"	Haitong International Capital Limited, acting as the sole sponsor of the Global Offering, a licenced corporation to conduct Type 6 (advising on corporate finance) of the regulated activities for the purpose of the SFO
"sq. m."	square metre(s)

"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Elegant Kindness and the Stabilising Manager on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"tonne"	the metric ton
"Top Innovation"	Top Innovation Enterprises Limited, a company incorporated under the laws of the BVI on 28 May 2018 with limited liability, a wholly-owned subsidiary of our Company
"Topchina"	Topchina Development Group Limited, a company incorporated under the laws of the BVI on 3 November 2004 with limited liability, a wholly-owned subsidiary of our Company
"Track Record Period"	the three financial years ended 31 December 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S." or "USA"	the United States of America
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"we", "us" or "our"	our Company and, except where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's or applicants' own name(s)

"Xinland Investment"	Xinland Investment Limited, a company incorporated under the laws of the BVI on 19 May 2017 with limited liability, a Shareholder and a Selling Shareholder
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Zhejiang Pujiang"	Zhejiang Pujiang Cable Co., Ltd.* (浙江浦江纜索有限公司), a company incorporated under the laws of the PRC on 13 April 2006 with limited liability, a wholly-owned subsidiary of our Company
"%"	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

* *The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.*

This glossary of technical terms contains certain definitions and other terms related to the business of our Group and used in this prospectus. The terms and their meanings may not correspond to the standard industry meanings or usage of those terms.

"anchorage"	an anchoring device to secure the cable of a bridge
"arch bridge"	the bridge which uses the curved arch as the main load-bearing structure
"AS method"	air spinning method, this method spins individual coated steel wires at the bridge installation site to form the main cable. This is an alternative method to form the main cable on a suspension bridge
"cable-stayed bridge"	a cable bridge where stay cables are connected to the pylons and the deck directly and the stay cables distributes the structure's load through connecting the two ends of the cables to the pylons. Please refer to the section headed "Industry Overview — The Bridge Construction Industry in China — Types of Bridges" for illustration
"galvanised steel wire"	steel wire galvanised with a metal layer to protect the steel wire from erosion, abrasion and oxidation, without changing the elements of the basic materials or weakening the basic material's strength or other functionality
"high-density polyethylene ("HDPE")"	high-density polyethylene, a nonpolar thermoplastic resin with high density
"main cable(s)"	main cables are used to support the load of a suspension bridge. Please refer to the section headed "Business — Our Business — Cable Business" for illustration of the application of main cables
"main span"	the span of a single-span bridge or the longest span of a multi-span bridge. Please refer to the section headed "Industry Overview — The Bridge Construction Industry in China — Types of Bridges" for an illustration of the main span of a bridge
"MPa"	megapascal, a unit of pressure which equals to 1,000,000 pascal

"PC strand(s)"	a form of wire strand(s) comprised of PC wire(s) that are twisted into a bundle for pretensioned and post-tensioned prestressed concrete construction. Please refer to the section headed "Business — Our Business — Prestressed Materials Business" for its application
"PC wire(s)"	prestressed concrete wire(s) are steel wire(s) for use in pretensioned and post-tensioned concrete construction. Please refer to the section headed "Business — Our Business — Prestressed Materials Business" for its application
"PPWS method"	Pre-fabricated parallel wire strands method, this method prefabricates zinc-galvanised wires into suspension cables in accordance with the design of the main cables of a suspension bridge, the suspension cables are then delivered and installed on the suspension bridge at the bridge construction site to form main cables. Please refer to the section headed "Business — Our Business — Cable Business" for the formation of main cables using PPWS method
"pylon"	a supporting tower structure for bridges
"stay cables"	cables made from coated steel wires, fabricated and sheathed by protective HDPE layers
"super-long-span bridge"	the size of a bridge refers to the length of the main span of a bridge super-long-span bridges refer to cable-stayed bridges with main span of 400 m. or above and suspension bridges with main span of 900 m. or above
"suspension bridge"	bridge where the bridge deck is hung below suspension cables. The main cables supported by the pylons, create tension force and the load of the deck between the two pylons are then transferred to the hangers and the main cables, which in turn dissipate the compression force from the cables to the anchorages on the two ends of the main cables. Please refer to the section headed "Industry Overview — The Bridge Construction Industry in China — Types of Bridges" for illustration
"suspension cables"	cable pre-fabricated using galvanised steel wires and are installed at the bridge construction site by hanging over the pylon saddles to form main cables of the suspension bridge

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements related to events that involve known and unknown risks, uncertainties and other factors, including those set out in the section headed "Risk Factors" in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, strategies, plans, objectives and goals;
- the business opportunities that we may pursue;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business; and
- certain statements in the sections headed "Business" and "Financial Information" in the prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words "aim", "anticipate", "believe", "likely", "could", "should", "ought to", "estimate", "expect", "intend", "going forward", "may", "plan", "seek", "will", "would", "assuming", "project", "potential", and the negative of these terms and other similar expressions, as they related to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- changes in domestic market and business conditions as well as industry trends related to our operations;
- changes in regulatory environments which are relevant to the business and operations of our Group, our customers and our suppliers;
- changes in our customers' demands and business performance;
- changes in the competitive landscape of our industries;
- introduction and implementation of new or different laws in the areas we operate in;
- our ability to obtain adequate capital resources to fund future expansion plans;

- our ability to successfully implement our business plans, strategies, objectives and goals;
- our ability to protect our technologies, knowhow, patents, brand, trademarks or other intellectual property rights;
- developments in technology and our ability to successfully keep up with technological advancement;
- our ability to attract and retain technical professionals and other qualified employees and key personnel;
- changes in currency exchange rates; and
- the other risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section, as well as the risks and uncertainties set out in the section headed "Risk Factors" in this prospectus.

Investing in the Shares involves certain risks. You should read this prospectus in its entirety and carefully consider each of the risks described below and all of the other information contained in this prospectus before deciding to purchase the Shares. If any of the following risks materialises, our business, financial condition and results of operations could be materially and adversely affected. The trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We recorded operating cash outflows for 2017 and 2018 because our operations are working capital intensive; any insufficient levels of liquidity may adversely affect our cash flow and working capital and results of operations

For the year ended 31 December 2016, 2017 and 2018, our net cash generated from (used in) operating activities amounted to RMB56.6 million, (RMB171.1 million) and (RMB137.3 million), respectively. In addition, as at 31 December 2016, 2017 and 2018, we had RMB104.9 million, RMB13.6 million and RMB61.4 million of cash and cash equivalents, respectively.

Historically, we have spent a significant amount of cash on our operating activities, principally to procure raw materials for our products and to provide deposit guarantees for our Cable Business (see further discussion below). We finance our operational activities mainly through short-term banking credit facilities (including bank acceptance bills) secured by a portion of our fixed assets, land use rights, receivables and restricted deposits. As at 31 December 2016, 2017 and 2018, our short-term bank borrowings amounted to RMB337.4 million, RMB433.4 million and RMB731.0 million, respectively, and our bills payables amounted to RMB239.0 million, RMB203.8 million and RMB343.9 million, respectively. Historically, we have rolled over our short-term bank borrowings on an annual basis. However, we cannot guarantee you that we will have sufficient funds available to pay all of our borrowings upon maturity in the future. Failure to roll over our short-term borrowings at maturity or to service our debt could result in the imposition of penalties, including increases in interest rates, legal actions against us by our creditors, or even insolvency. Please refer to “Financial Information — Liquidity and Capital Resources” for further details.

We generally provide prepayments to our primary suppliers of up to 80% of our estimated 12 months procurement volume on a rolling basis (for our Prestressed Materials Business) or of total contract value (for our Cable Business), which further results in pressure on our working capital. Please see “Business — Procurement — Our suppliers contracts”. As at 31 December 2016, 2017 and 2018, we had provided prepayments in the amount of RMB440.2 million, RMB700.8 million and RMB961.7 million, respectively. In addition, our Cable Business projects may require us to provide deposit guarantees of between 5% to 10% of the contract value (in terms of performance bonds); and as at 31 December 2016, 2017 and 2018, we had provided deposits (current and non-current) in the amount of RMB121.1 million, RMB284.3 million and RMB260.3 million, respectively. Please see “Business — Sales and Marketing — Cable Business”. We fund our prepayments and deposit guarantees mainly through our banking credit facilities (including bank acceptance bills) and cash balances. In addition, as at 31 December 2016, 2017 and 2018, our trade, retention and bills receivables were RMB578.3 million, RMB545.0 million and RMB803.2 million, respectively. As such, we face a strong pressure in maintaining an adequate level of cash flow and liquidity position. Although we have historically been able to maintain adequate working capital primarily through cash generated from operations and our banking credit facilities, any failure by our customers to settle outstanding trade receivables or our inability to borrow from banks in the future could materially and adversely affect our cash flow, financial condition and results of operations.

In addition, to the extent we have working capital issues or in case of an economic downturn, we may need to reduce the number and/or value of projects we bid for under our Cable Business or take on fewer orders from customers under the Prestressed Materials Business to ensure we have sufficient working capital for our operations, thereby limiting our growth and expansion plans. Please also refer to the paragraph headed "The economic, political, legal and social conditions, government policies or any economic downturn in the PRC could affect our business" in this section for risks in relation to an economic downturn.

In order to improve our cash flow and liquidity position, during the Track Record Period, we have implemented liquidity management measures at both the project level and at the business unit level within our operations. Please refer to the section headed "Financial Information — Liquidity and Capital Resources — Liquidity Management Measures" for details. Although during the Track Record Period, we have not experienced any major difficulties in maintaining sufficient working capital notwithstanding the growth in our business, we cannot assure you that we will be able to continue to implement our liquidity management measures effectively. If we fail to maintain these measures or if any of these measures are ineffective, we may experience insufficient level of working capital and liquidity, which may have a material and adverse impact on our business, financial condition and results of operations.

We may experience delays or defaults in payment of trade and retention receivables from our customers, and we have a significant mismatch between our trade receivables and trade payables turnover days, which may adversely affect our cash flow and working capital and results of operations

Delays or defaults in payments to us on projects from our customers for which we have already incurred significant costs and expenses can materially and adversely affect our results of operations and reduce our financial resources that would otherwise be available to fund other projects.

For our Cable Business, our sales to construction projects usually span across generally, from one month to two years. We may require our customers to pay us an initial deposit payment of up to 20% of the contract value following the signing of the contract, and as at 31 December 2016, 2017 and 2018, our contract liabilities was RMB18.5 million, RMB40.6 million and RMB46.3 million, respectively. However, our customers typically withhold approximately 5% to 10% of the contract value as retention money after completion of the construction of the bridge, which are usually released after deducting warranty claims, if any, upon expiry of the warranty period, which may take up to two years. Therefore, our accounts receivables also include such accumulated retention monies. As at 31 December 2016, 2017 and 2018, our trade, retention and bills receivables were RMB578.3 million, RMB545.0 million and RMB803.2 million, respectively.

In addition, a substantial portion of our revenue generated from the Cable Business is derived from sales to bridge construction project companies or contractors of these construction projects which may require funding from local governments. For such projects, it may take a longer period to complete their internal procedure for processing payments to us or that the project may be delayed due to changes in the government's infrastructure planning. As such, our customers may delay or fail to meet their settlement with us as scheduled.

Moreover, we have a significant mismatch between our trade receivables and trade payables turnover days. Our average trade receivables turnover days provide a general indication of the time required for us to collect cash payment from sales, while our trade payables turnover days provide a general indication of the timeframe we pay our suppliers taking into account prepayments we have already made. Our average trade receivables turnover days were 135 days, 120 days and 158 days, for 2016, 2017 and 2018, respectively; while our average trade payables turnover days were 19 days, 13 days and 15 days for 2016, 2017 and 2018, respectively. Please refer to the sections headed "Financial Information — Description of Selected Consolidated Statement of Financial Position Items — Trade, retention and bills receivables" and "Financial Information — Description of Selected Consolidated Statement of Financial Position Items — Trade and bills payables".

We cannot assure you that we will be able to collect receivables from our customers on a timely basis or that our customers will be able to settle our trade and retention receivables if there are any stoppage or delays in the schedule of the construction projects. As at 31 December 2016, 2017 and 2018, our allowance for doubtful debts was RMB19.4 million, RMB18.6 million and RMB22.5 million, respectively, accounting for 3.9%, 3.3% and 2.7% of our trade and retention receivables before impairment, respectively. If we encounter significant delays or failures in payments or release of retention money by our customers or are otherwise unable to recover our trade receivables, our cash flows from operations may be inadequate to meet our working capital requirements and hence our results of operations may be affected.

Our revenues are dependent on our five largest customers and the loss of any one of them may have a material and adverse impact on our business, financial condition and results of operations

For the years ended 31 December 2016, 2017 and 2018, revenue generated from our five largest customers accounted for 55.8%, 56.7% and 39.5% of our total revenue, respectively. Our five largest customers comprise primarily customers of our Prestressed Materials Business. Our single largest customer accounted for approximately 31.3%, 20.7% and 9.5% of our total revenue for each of the years ended 31 December 2016, 2017 and 2018, respectively. As a result of our reliance on a limited number of customers, we may face pricing and other competitive pressures. As we do not have any long-term commitments with our major customers, they are not obligated to continue to purchase from us. The volume of products sold to specific customers varies from year to year, especially since we are not the exclusive provider for any customers. In addition, there are a number of factors, other than our performance, that could cause the loss of a customer or a substantial reduction in the products that we provide for any customer and that may not be predictable. For example, our customers may decide to reduce spending on our products or a customer may no longer need our products following the completion of a project. The loss of any one of our major customers, a decrease in the volume of sales to these customers or a decrease in the price at which we sell our products to them could materially adversely affect our profits and our revenues.

In addition, such reliance on major customers may subject us to perceived or actual leverage that our customers may have in negotiations with us, given their relative size and importance to us. If our customers seek to negotiate their agreements on terms less favourable to us and we accept such unfavourable terms, such unfavourable terms may have a material adverse effect on our business, financial condition and results of operations. Accordingly, unless and until we diversify and expand our customer base, our future success will significantly depend upon the timing and volume of business from our major customers and the financial and operational success of these customers.

We procure a significant portion of our raw materials from our five largest suppliers

We procure the majority of our raw materials from a concentrated number of suppliers. For the years ended 31 December 2016, 2017 and 2018, purchases from our five largest suppliers accounted for 90.0%, 96.7% and 89.2% of our total purchases, respectively. Purchases from our single largest supplier accounted for 47.0%, 54.7% and 54.0% of our total purchases for each of the years ended 31 December 2016, 2017 and 2018, respectively. Please refer to the section headed "Business — Procurement — Relationship with Shagang Group, our largest supplier" for details of our relationship with our largest supplier. During the Track Record Period, we had not experienced any material disruptions to our production and operations due to any delay in delivery or issue with the quality of raw materials provided by our five largest suppliers. If there occurs any adverse change in our relationship with any of our major suppliers, or if any major supplier fails to deliver raw materials to us in accordance with our delivery schedule, and we are unable to procure such raw materials from other suppliers under acceptable commercial terms and in a timely manner, our manufacturing operations and financial results may be materially and adversely affected.

We derive a significant portion of our sales generated from our Prestressed Materials Business during the Track Record Period and our revenue may be affected by any decrease in demand for prestressed materials

For the years ended 31 December 2016, 2017 and 2018, we derived a significant portion of our revenue from our Prestressed Materials Business, which accounted for 72.0%, 67.7% and 62.5% of our Group's total revenue, respectively. In 2016, 2017 and 2018, our gross profit margin for our Prestressed Materials Business ranged from 11.1% to 15.7% and our gross profit margin for our Cable Business ranged from 34.6% to 36.8%. Although our Prestressed Materials Business had a lower gross profit margin compared to that of our Cable Business during the Track Record Period, this business segment contributed to the majority of the revenue of our Group. We cannot assure you that the demand for our prestressed materials products will remain at its current level or continue its growth momentum in the future. If the demand or prices for prestressed materials decrease, we may face a significant decrease in our revenue which may have a material and adverse effect on our business, financial condition and results of operations.

The customers of our Cable Business are non-recurring in nature, and the failure to obtain new sales contracts may affect our business, financial condition and results of operations

A portion of the revenue generated from our Cable Business is based on the projects awarded through an open tender. Accordingly, customers of our Cable Business may vary from year to year. Once sales to a bridge cable construction project is completed, such customer may not award any further projects to us. Our ability to secure new tenders will depend on the customer's tender evaluation metrics, which often includes price, product quality, production capabilities, reputation and track record in relevant bridge cable projects. Therefore, the final outcome of each tender process is beyond our control.

Upon completion of our contracts on hand, our financial performance may be adversely affected if we are unable to obtain new projects or secure new tenders with comparable contract value. As a result, our historical financial results during the Track Record Period should not be taken as an indication of our future performance. As our revenue is non-recurring in nature, we cannot guarantee that we will be able to secure new projects after the completion of the existing projects.

Any significant increase in the price of high carbon steel wire rods may materially increase our production costs and reduce our profitability

The major raw materials we use for our business are high carbon steel wire rods. Therefore, the cost of our raw materials is largely affected by the fluctuations in the price of high carbon steel wire rods that we purchase from multiple steel producers. The steel industry as a whole is cyclical and, at times, pricing and availability of steel can be volatile due to numerous factors beyond our control, including government regulations, general domestic and international economic conditions, labour costs, demand, competition, supply and consolidation of steel producers, raw material costs and production costs for steel producers, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us.

In 2016, the PRC government continued its policy to cut excessive industrial capacity and reform the supply-side of raw materials in its economy. It is expected that total steel production in China will further decrease by around 100 million tonnes to around 150 million tonnes by end of 2020 and the average price of high carbon steel wire rods is expected to increase at a CAGR of 2.7% between 2018 and 2022 depending on the changes in the price of steel, according to Frost & Sullivan. It is expected that steel demand will continue to slightly outpace supply due to the reduction of overcapacity and the average price of steel products will continue to rise in 2019, according to Frost & Sullivan.

For each purchase order in general, we are required to negotiate the terms of raw material supplies and we do not have any hedging facilities to minimise the risk of raw materials price fluctuation. Price fluctuations of our major or other raw materials will affect our production costs, which will in turn affect our gross profit margin. We cannot assure you that we will be able to transfer any increase in cost to our customers. If we are unable to increase the prices of our products to set off any increase in raw materials costs, our profitability and profit margins may be adversely affected.

We may cease to be entitled to a reduced PRC corporate income tax rate of 15% and our government grants are non-recurring in nature

During the Track Record Period, our major PRC operating subsidiaries were recognised as "High and New Technology Enterprise" by the relevant PRC government authorities and were entitled to preferential tax treatments of 15% in the PRC. These operating subsidiaries include Ossen Innovation Materials, Ossen (Jiujiang), Shanghai Pujiang and Zhejiang Pujiang and their respective preferential tax rate will expire in July 2020, August 2021, November 2020 and November 2019 respectively. In addition, during the Track Record Period, our PRC subsidiaries were granted certain tax incentives for research and development expenses and tax exemptions. For the years ended 31 December 2016, 2017 and 2018, we made provision estimates of RMB11.1 million, RMB15.4 million and RMB22.5 million, respectively for tax incentives and exemptions in accordance with the tax laws and regulations of the PRC. Please see Note 14 in the Accountants' Report in Appendix I to this prospectus for further details. Accordingly, our effective income tax rate for the years ended 31 December 2016, 2017 and 2018 were 11.7%, 12.1% and 13.8%, respectively.

The relevant PRC government authorities will take into account various factors in determining whether to award or renew any "High and New Technology Enterprise" certificate upon expiration of the certificates, and there is no assurance that each of our PRC operating subsidiaries will be successful in renewing its "High and New Technology Enterprise" certificate. Should the relevant PRC government authorities refuse to renew any of our PRC operating subsidiaries status as "High and New Technology Enterprise" for any reason, they will cease to be entitled to such preferential tax treatment and they will be required to pay PRC corporate income tax at the normal statutory rate of 25%. Under such circumstances, our profitability and results of operations will be adversely affected.

In addition, during the Track Record Period, we obtained government grants, which consisted mainly of grants received from the PRC local government authority as subsidies to us for incentive of technology innovation projects. We recorded government grants as part of other revenue in the amount of RMB5.1 million, RMB5.3 million and RMB6.4 million in 2016, 2017 and 2018, respectively. However, such government grants are non-recurring in nature and there is no guarantee that we will receive such grants in the future.

Our proprietary and licensed technologies may not be adequately protected, and our right to use certain technologies could be challenged

Our success depends, in part, on our core production technologies and critical production processes. For further details on our registered trademarks and other intellectual properties owned by our Group, please refer to "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights". However, our competitors may independently develop proprietary methodologies similar to ours or duplicate our products, or develop alternatives. We cannot guarantee that we will be able to protect our rights or prevent third parties from using or infringing our technology in the future. Any significant infringement of our technology, or the counterfeiting of any of our products on a significant scale, could result in loss of market share, affect our relationships with our customers, harm our reputation, and affect our business materially and adversely.

For our Cable Business, we have licensed two patented technologies to our customers at the designing stage of the bridge as part of the conditions in obtaining the tender. As a result, confidential or proprietary information of these technologies may be disclosed to third parties by our licensees should the customers require multiple bridge cable suppliers. We cannot assure you that our competitors will not be able to develop other competing technologies by designing around or reverse engineering our patents if they have obtained any of such confidential or proprietary information.

We also cannot guarantee that a third party will not challenge our right to use certain intellectual property rights, thereby requiring us to defend or settle any related intellectual property infringement allegations or disputes. Any such litigation could be costly and incur substantial resources, which could have a negative impact on our financial condition and results of operations. We may be required to incur substantial costs to develop non-infringing alternatives or to obtain the required licences. There is no assurance that we will succeed in developing such alternatives or in obtaining such licences on reasonable terms, or at all, and any failure to do so may disrupt our manufacturing processes, damage our reputation and adversely affect our results of operations. During the Track Record Period and up to the Latest Practicable Date, there were no material legal claims in relation to disputes on intellectual property rights against us.

We may need to invest additional resources in improving our production equipment in response to changes in market demand and government regulations

In order to satisfy the evolving needs of our customers, continual improvement of our operations and production capabilities is required. We have carried out various research and development projects on new products, techniques and technology and we seek to continue our research and development efforts with a view to improving the functionalities of our production facilities and lowering our production cost. For the years ended 31 December 2016, 2017 and 2018, our research and development expenses amounted to RMB49.1 million, RMB60.2 million and RMB53.7 million, respectively, representing 4.5%, 4.6% and 3.9% of our total revenue, respectively.

There is no assurance that we will successfully develop or implement any of the research and development projects or be able to complete such projects within the respective time and cost estimates. If we do not develop new techniques or introduce new products which adequately satisfy the market demand and comply with the relevant government regulations or industry standards in a timely manner, our competitive position, sales and gross profit margins could be materially and adversely affected. In the event that we fail to enhance our research and development capabilities to meet the fast-changing demand of customers, or if we fail to successfully adopt the latest technological developments, our capabilities may be surpassed by our competitors, which may adversely impact our results of operations and future prospects.

The backlog for our Cable Business may not be indicative of our future results of operations

As at the Latest Practicable Date, the backlog for our Cable Business was RMB1,072.1 million. This figure was based on the assumption that the relevant contracts will be performed in accordance with their terms. Any modification, termination or suspension of these contracts by our customers, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on the backlog. Projects may also remain in our backlog for an extended period of time beyond the initial period anticipated due to various factors such as delay in project schedule and government policies beyond our control. Therefore, the backlog only reflects the remaining value to be delivered under our signed sales contracts as at a specific date due to various stages in the underlying construction projects. Please refer to the section headed "Business — Sales and Marketing — Cable Business — Backlog" in this prospectus. We cannot guarantee that the estimated amount of our backlog will be realised in time, or at all, or even realised. As a result, you should not rely on the backlog or consider it as a reliable indicator of our future results of operations.

We have limited insurance coverage and may incur losses resulting from product liability claims, business interruption or natural disasters

We are exposed to risks associated with product liability claims in the event that the use of our products results in property damage or personal injury. Since our products are ultimately used for the construction of bridges, buildings, railways and other large architectural structures, users of these structures or workers installing our products could be injured or killed by such structures, whether as a result of defects, improper installation or other causes. As we continue to expand our customer base and our application, and because our products are used for long periods of time, we are unable to predict whether product liability claims will be brought against us in the future or to predict the impact of any resulting adverse publicity on our business even after the warranty periods.

As at the Latest Practicable Date, we do not maintain insurance for all of our production facilities or for any product liability. Any uninsured loss or damage to property, litigation, business disruption or product liability claims may result in us incurring substantial costs or diverting our resources. If we incur substantial liabilities that are not covered by any of our insurance policies, or if we encounter any business interruption or natural disaster for a significant period of time, it could result in substantial losses and diversion of our resources and materially and adversely affect our business, financial condition and results of operations.

Increasing competition in the industries that we operate in could have an adverse impact on our ability to maintain competitiveness

We operate in a competitive market for all of our business segments. The industries that we operate in require substantial investments in manufacturing, machinery, research and development, product design, engineering, technology and marketing in order to meet both the customers' business needs and regulatory requirements. Large industry players are able to benefit from economies of scale by leveraging their investments and activities at a lower cost. Moreover, some of our competitors are listed companies in the PRC which have broad access to raise fund for their expansion, technological development and capacity upgrade. Some of our competitors may have advantages over us in terms of capacity, access to capital and management experience, while some competitors may have advantages over us in terms of pricing, and in particular while bidding for projects for our Cable Business, our potential customers may prefer to contract with suppliers within the same province due to geographical proximity or for other reasons. Failure to compete effectively with these competitors could result in a loss of our market share and a decrease in our revenue and profitability.

For further details of the competitive landscape, please refer to the sections headed "Industry Overview — Competitive Landscape" and "Industry Overview — Market Analysis for the Bridge Cable and Prestressed Materials Industry — Key Entry Barriers" in this prospectus. Should our competitors equip themselves with, among other things, industry knowledge, technical know-how, equipment and machinery that are comparable to or better than ours, we might not be able to maintain our market position and our business, results of operations, financial condition and future prospects might be adversely affected.

In addition, if any of our customers diversify their business and engage in upstream or downstream expansion to manufacture similar products offered by us, this may intensify competition in the industries that we operate in. Such customers may cease to place orders with us or may substantially reduce the amount of orders placed with us, and our financial condition, results of operations and future prospects could be materially and adversely affected.

We are subject to risks associated with international trade regulations that may be imposed on our products

For the years ended 31 December 2016, 2017 and 2018, we derived 4.1%, 3.8% and 2.4% of our total revenue from overseas customers, respectively. We are subject to risks associated with anti-dumping duties on tariffs that may be imposed on our products. For example, in 2009, the European Commission imposed anti-dumping measures on pre-and post-stressed wires and wire strands of non-alloy steel originated from China in order to protect the prestressed materials manufacturers within the European Union. Similar anti-dumping duties have been imposed in the United States for prestressed wires and wire strands imported into the United States originating from China. Since April 2018, the United States has been in a trade dispute with China and imposed various tariffs on steel and aluminium imports from China which may affect our overseas sales.

We cannot assure you that any future changes in international trade regulations and policies will not cause any adverse impact on the demand from our overseas customers or the price we charge for our products, which in turn could materially and adversely affect our business, results of operations and financial condition.

Our results of operations may be adversely affected by foreign currency exchange rate fluctuations

During the Track Record Period, the majority of our sales was in China and was denominated in RMB and our cost of production was substantially denominated in RMB as our production facilities are located in China. For the years ended 31 December 2016, 2017 and 2018, 95.9%, 96.2% and 97.6%, respectively, of our revenue were from sales in China, while the remaining overseas sales were primarily denominated in USD. However, as and if we expand our overseas sales, those sales may be denominated in foreign currencies such as the USD and/or the Euro. For example, we recently entered into a sales contract denominated in Euros to sell our cables to a large scale bridge project in Turkey, known as the "1915 Canakkale Bridge". Accordingly, any significant depreciation in the value of foreign currencies such as the Euro and USD against the RMB could adversely affect the value of our overseas projects in RMB terms and thus our revenues.

Currency fluctuations are affected by a number of macro-economic factors not within our control. Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and PRC foreign exchange regime and policy. Since July 2005, the Renminbi has been pegged to a basket of several currencies, and accordingly, the Renminbi may appreciate or depreciate significantly, depending on the fluctuation of the basket of currencies that it is currently valued.

There are limited hedging instruments available to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and could outweigh the potential benefit from the reduced currency volatility. As at the Latest Practicable Date, we have not engaged in any hedging transaction to reduce our exposure to foreign currency exchange risks. In any event, while we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure, or at all, and our financial condition and results of operations may be materially and adversely affected.

Our business depends on the continuing service of our senior management and any failure to retain key senior management executives could have an adverse effect on our operations

Our business depends on the continuous service of our executive Directors, including Dr. Tang, Mr. Zhou Xufeng, Ms. Zhang Weiwen and Mr. Ni Xiaofeng. For their relevant details, please refer to the section headed "Directors, Senior Management and Employees". Our success will, to a certain extent, depend on whether we can continue to retain our senior management executives and attract or retain other key personnel. If we lose the service of any key senior management executives, or if we fail to replace any loss of such persons with alternative personnel with similar expertise and experience, our business, results of operations, financial condition and future prospects could be materially and adversely affected.

Our business operations may be affected if we fail to implement our expansion plans

We plan to expand our production facilities for our Prestressed Materials Business, expand our research and development centre for our Cable Business and expand our environmental protection facilities to continue to comply with relevant environmental regulations. Please refer to the section headed "Future Plans and Use of Proceeds". The success of our expansion is subject to a variety of factors beyond our control such as changes in the economy, governmental policies and regulations.

In addition, if the forecasted demand for our products does not grow at the pace that we expect or at all, or if we are unable to deepen existing and develop additional customer relationships in these markets and product lines, we may fail to realise return on these investments, incur losses on such investments and be unable to redeploy effectively the invested capital to take advantage of other markets and opportunities, potentially resulting in lost of market share to our competitors. As a result, our business, financial condition and results of operations may be materially and adversely affected. Further, we cannot assure you that our production capacity expansion plans will be successfully implemented without delay or at all. Any failure or delay in implementing any part of these plans may adversely affect our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations.

Any operational failure or disruption to our production facilities could negatively affect our business

A disruption to, or shortage of, water, electricity or gas may adversely affect our production output. We produce all our products in our production facilities. From July to December 2018, we experienced a power interruption for part of our galvanisation production line due to a construction accident affecting a power transmission cable while the government was making road repairs, rendering the equipment used for the "galvanisation" stage of production inoperable during this period. Please refer to the section headed "Business — Our Production — Our Production Facilities — Prestressed Material Business" for details. The power interruption did not have a material adverse impact on our business as we were able to purchase semi-finished galvanised prestressed materials for further processing. The gross profit margin from the sales of self-produced galvanised prestressed products was around 27% in 2018, while the gross profit margin from the sales of processed semi-finished galvanised products was around 20% in 2018. However, should there be any future disruption that may affect our production, there is no guarantee we would be able to take any mitigating measures for our other products or in the future. A significant disruption to, or shortage of, utilities may prevent us from manufacturing sufficient products during the affected period and may materially and adversely affect our business, financial condition and results of operations.

In addition, our ability to adequately preserve our inventory of raw materials and to produce, distribute and sell our products is critical to our success. If all or a portion of the raw materials we hold in inventory is damaged, our ability to produce, distribute or sell our products could be partially or materially hindered. If we fail to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, this could materially and adversely affect our business, financial condition and results of operations.

We may not be able to efficiently manage our inventory risks

We need to maintain sufficient inventory levels for our business operations in order to meet our customers' demands. We generally maintain certain inventory level of raw materials to ensure stable operations, and we cannot assure you that we can accurately predict sales and avoid over-stocking or under-stocking of raw materials in our inventories.

In addition, when we purchase raw materials based on the customers' orders, we may not be able to consume all such inventory in sufficient quantities if a customer cancels or reduces its order. Changes in the product requirements of our customers may result in material increases or decreases in demands for certain raw materials, which may negatively impact our results of operations and inventory usage. As at 31 March 2019, approximately RMB139.1 million, or 78.4%, of our inventories as at 31 December 2018 were subsequently consumed or sold.

Inventory levels in excess of customer demand could result in inventory write-downs or increase in inventory holding costs. On the contrary, if we underestimate demand or if our suppliers fail to provide products in a timely manner, we may experience inventory shortages, which could in turn result in unfulfilled customer orders, loss of sales and a negative impact on customer relationships. We cannot assure you that we will be able to maintain an appropriate inventory levels, and any such failure could have an adverse effect on our business, financial condition, and results of operations.

Our failure to comply with environmental, safety, and health laws and regulations may subject us to penalties

As part of our business operations, we are required to comply with various and extensive environmental as well as health and safety laws and regulations promulgated by the PRC government. Given the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may require a significant amount of financial and other resources. As these laws and regulations continue to evolve, there can be no assurance that the PRC government will not impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs, that we may not be able to pass on to our customers.

Our business operations may be affected by an occurrence of widespread public health problems, acts of war, natural disasters or other events beyond our control

Our suppliers, production facilities and the majority of our customers are all located in China. Any widespread health problems, acts of war or natural disasters such as bad weather conditions, flooding, typhoons, tsunamis, snowstorms, landslides, earthquakes and fires, as well as labour strikes or social turmoil that are beyond our control could have an adverse effect on the overall business sentiment and environment, which in turn may have an adverse impact on our sales. Epidemics may cause different degrees of damage to the national and local economies and result in material disruptions to our operations. The occurrence of natural disasters, unanticipated catastrophic events or a recurrence of an epidemic and other adverse public health developments in the PRC could severely disrupt our business operations, and in turn materially and adversely affect our business, financial condition and results of operations.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders

Immediately following the Global Offering without taking into account of options which may be granted under the Share Option Scheme, our Controlling Shareholders will hold approximately 63.65% of our total issued share capital assuming no exercise of the Over-allotment Option (or approximately 60.91% if the Over-allotment Option is fully exercised). As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the Controlling Shareholders have interests that conflict with those of our Group and our other Shareholders, they may take actions in its capacity as the Controlling Shareholders that may not be in the best interests of our Shareholders as a whole.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Our business, financial condition and results of operations may be affected by changes in the PRC government policies with respect to the infrastructure construction industry

Our products are mainly for use in infrastructure construction, in particular transportation infrastructure projects such as bridges, railways and highways. As transportation infrastructure is a key infrastructure component in urban development which requires substantial investment, these projects in China are largely funded by municipal government budgets. The future growth in the infrastructure construction industry in China would depend on the continuing effort in urban planning and the capital investment by the PRC government. Thus, our business relies heavily on policies promulgated by the PRC government and infrastructure investment budgets by local governments.

Infrastructure investments by the PRC government are subject to periodic variations due to national and regional economic policies and changes in the development of the Chinese economy. The growth of the bridge construction market has been correlated with China's increasing investment in infrastructure construction pursuant to government's initiatives in social development and the improvement in bridge construction technology in recent years. During the period between 2013 and 2017, the CAGR of total investments in fixed assets for transportation infrastructure in China was 9.0%, according to Frost & Sullivan. It is expected that with the introduction of various new government policies in relation to infrastructure development, such as the "13th Five Year Plan" and the "Belt and Road" Initiative, more bridges will be built and significant investment will be deployed in the transportation infrastructure sector. If there is any change in the PRC government budgets, public expenses or public policies in relation to the infrastructure construction in China, in particular for the transportation sector, our business, financial position, results of operations and prospects may be materially and adversely affected.

The economic, political, legal and social conditions, government policies or any economic downturn in the PRC could affect our business

Our business and results of operations are subject to the economic, political, legal and social developments of the PRC, as most of our assets are located, and all of our products are manufactured, in China. The Chinese economy differs from the economies of other countries in many respects. The Chinese economy has historically been a planned economy and has been in a transitional stage to a more market economy. Although the PRC government has implemented measures emphasising the use of market forces for economic reform in recent years, we cannot assure you that economic, political or legal systems of the PRC will not develop in a way that is detrimental to our business. Moreover, uncertainties regarding interpretation and enforcement of PRC laws and regulations may negatively affect our business. Any changes in the political, economic, legal and social conditions in China or the relevant policies of the PRC government, such as changes in laws and regulations or their interpretation, in particular changes in labour laws which may result in wage increases, inflationary measures, changes in the tax rate or method of taxation, further foreign exchange restrictions and the imposition of additional import restrictions, could materially and adversely affect our business, financial condition and results of operations.

The future performance of the Chinese economy is not only affected by the economic and monetary policies of the PRC government, but may also be affected by material changes in global economic and political environments as well as the performance of certain major developed economies in the world. There may exist a continued uncertainty for the overall prospects for the global and the Chinese economy in the foreseeable future.

In addition, our products are mainly for use in infrastructure construction, in particular transportation infrastructure projects, any economic downturn in China may lead to a negative effect to the construction industry. As infrastructure construction projects involves huge capital and investment, any cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new development initiatives by the government could affect the progress and scale of a construction project, which may affect the demand for our products. If China experiences any adverse economic conditions due to events beyond our control, our overall business and results of operations and profits could be materially and adversely affected. Furthermore, an economic downturn may hinder our ability to maintain adequate working capital through cash generated from operations or through our banking credit facilities, which may affect our liquidity position. Insufficient working capital and liquidity may have material and adverse effect on our business, financial condition and results of operations.

We may be adversely affected by inflation or labour shortage in China

In recent years, the Chinese economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. During the past ten years, the rate of inflation in China has been as high as 5.9% and as low as -0.7%. While inflation has recently slowed with a moderate rate of 1.6% recorded in December 2017, it is uncertain when the general price level may increase or decrease sharply in the future. Moreover, the significant economic growth in China has resulted in a general increase in labour costs and shortage of low-cost labour. Inflation may cause our production costs to continue to increase. If we are unable to pass on the increase in production costs to our customers, we may suffer a decrease in profitability and a loss of customers and our results of operations could be materially and adversely affected.

Failure to comply with SAFE regulations relating to the establishment of offshore special purpose companies by PRC residents, particularly SAFE Circular No. 37, may subject our PRC resident Shareholders or our PRC subsidiaries to liabilities or penalties, limit our ability to inject capital into our PRC subsidiaries or limit the ability of our PRC subsidiaries to distribute profits to our Company

In July 2014, SAFE promulgated the SAFE Circular No. 37, pursuant to which a "special purpose vehicle" means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. Domestic residents establishing or taking control of a special purpose vehicle abroad which engages in overseas investment and financing or makes round-trip investments in the PRC are required to effect foreign exchange registration.

According to the PRC Legal Advisers, Dr. Tang, Mr. Lu and Mr. Wang are all subject to the requirements under SAFE Circular No. 37 and all necessary foreign exchange registrations with the local foreign exchange authority under SAFE Circular No. 37 were completed on 1 August 2017. However, there is no assurance that the PRC government will not have a different interpretation of the requirements of SAFE Circular No. 37 in the future. Moreover, we may not be fully informed of the identities of all the future Shareholders who are PRC residents. We do not have control over the Shareholders and cannot assure you that all of the PRC resident Shareholders will comply with SAFE Circular No. 37. Failure of the PRC resident Shareholders to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular No. 37 may subject such Shareholders and our PRC subsidiaries to fines and legal sanctions. Failure to comply with SAFE Circular No. 37 may also limit our ability to contribute additional capital to our PRC subsidiaries, limit the ability of the PRC subsidiaries to distribute dividends to our Company or otherwise materially and adversely affect our business.

We may be deemed a PRC resident enterprise under the CIT Law and any gains on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes

Under the CIT Law and its implementation rules, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors which are "non-resident enterprises" that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. According to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the dividends derived by a foreign investor residing in Hong Kong from its PRC subsidiary is subject to a tax rate of 5% provided that the foreign investor directly holds not less than 25% of the equity interest of the PRC subsidiary. However, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the SAT on 20 February 2009, if the main purpose of a transaction or an arrangement is to obtain preferential tax treatment, the PRC tax authorities will have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. In addition, any gain realised on the transfer of shares by foreign investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Since it is uncertain whether our Company will be considered a PRC "resident enterprise", dividends payable to the foreign investors of our Company with respect to the Shares, or the gain the foreign investors of our Company may realise from the transfer of the Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES AND LISTING OF OSSEN INNOVATION ON NASDAQ

There has been no prior public market in Hong Kong for our Shares and an active trading market for the Shares may not develop or be sustained

Prior to the Global Offering, no public market existed for our Shares. The initial Offer Price to the public for our Shares is the result of negotiations between us (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We cannot assure you that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the Offer Price.

The trading price of the Shares may be volatile, which could result in substantial losses to you

The trading price of the Shares may be volatile and could fluctuate widely in response to factors beyond our control, including the general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the trading price performance of Ossen Innovation or other companies offering products and services related to ours, such as our customers and competitors, may affect the trading price of the Shares. In addition to market and industry factors, the price and trading volume for the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of the Shares to change substantially. Any of these factors may result in large and sudden changes in the trading volume and price of the Shares.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of the Shares could fall during the period before trading of the Shares begins

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of the Shares are subject to the risk that the price of the Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Any sale of a substantial amount of the Shares in the public market, or any changes in the number of Shares in issue, could negatively affect the market price of the Shares

We cannot assure you that, after the expiry of the restrictions in respect of their lock-up undertakings, the Controlling Shareholders will not dispose of any Shares that they may own now or in the future. Please refer to the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement" in this prospectus. Any sale of a substantial amount of the Shares in the public market after the completion of the Global Offering, or the perception that these sales may occur in the near future, could negatively affect the market price of the Shares. Such sale or perception could also significantly impair our ability to raise capital through offerings of additional Shares in the future.

In addition, we may issue additional Shares, or securities convertible into the Shares, to raise capital in the future,. We may also acquire interests in other companies by issuing Shares, or using a combination of cash and Shares. Any of these events may dilute your ownership interest in our Company and could negatively affect the market price of the Shares.

Any options granted under the Share Option Scheme may dilute the Shareholders' equity interests

Our Company has conditionally adopted the Share Option Scheme. Please refer to the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus for details. As at the Latest Practicable Date, no option had been granted to subscribe for Shares under the Share Option Scheme. Following the issue of new Shares upon exercise of the options that may be granted under the Share Option Scheme, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which results in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to the eligible participants under the Share Option Scheme will be charged to the consolidated comprehensive income statement of our Group over the vesting periods of the options. The fair value of the options shall be determined on the date of granting of the options. Accordingly, the financial results and profitability of our Group may be adversely affected.

Fluctuations in the value of the Renminbi could have an adverse effect on your investment

Our income and expenses have been and are expected to continue to be primarily denominated in Renminbi and we are exposed to the risks associated with the fluctuation in the currency exchange rate of Renminbi. Should Renminbi appreciate against other currencies, the value of the proceeds from the Global Offering and any future financings, which are to be converted from Hong Kong dollar or other currencies into Renminbi, would be reduced and might accordingly hinder our business development due to the lessened amount of funds raised. On the other hand, in the event of the devaluation of Renminbi, the dividend payments of our Company, which are to be paid in Hong Kong dollars after the conversion of the distributable profit denominated in Renminbi, would be reduced. Hence, substantial fluctuation in the currency exchange rate of Renminbi may have a material adverse effect on our business, operations and financial position and the value of your investment in the Shares.

We may incur significant costs as a result of holding controlling interest in Ossen Innovation, a publicly listed company in the United States, and our management is required to devote substantial time to compliance requirements

Our subsidiary, Ossen Innovation, which holds our Prestressed Materials Business, is a publicly listed company in the United States and its ADSs are traded on the NASDAQ Capital Market under the stock code "OSN". As a publicly listed company in the United States, we are subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended ("**U.S. Exchange Act**"), and legal, accounting and other expenses incurred under the Sarbanes-Oxley Act of 2002, as amended ("**Sarbanes-Oxley Act**"), together with rules implemented by the U.S. Securities and Exchange Commission ("**SEC**") and applicable market regulators. These rules impose various requirements on public companies, including requiring certain corporate governance practises. Our management and other personnel devote a substantial amount of time to these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

As required by Section 404 of the Sarbanes-Oxley Act, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting. Such compliance requires that we incur substantial accounting expenses and expend significant management efforts. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, the market price of our Shares and/or ADSs could decline if investors and others lose confidence in the reliability of our financial statements, we could be subject to sanctions or investigations by the SEC or other applicable regulatory authorities and our business could be harmed.

In addition, as a U.S. listed company, Ossen Innovation is also subject to the United States Foreign Corrupt Practises Act ("**FCPA**"), which prohibits U.S. companies from making prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practises occur from time to time in mainland China. If our employees or other agents are found to have engaged in such practises, we could suffer severe penalties under the FCPA.

The trading prices and volumes of the ADSs of Ossen Innovation may be volatile, which may have an effect on the prices and volumes of our Shares traded on the Stock Exchange and the ability of Ossen Innovation to remain listed on NASDAQ

The market price for the ADSs of Ossen Innovation is highly volatile and subject to wide fluctuations in response to various factors beyond our control, such as:

- actual or anticipated fluctuations in our operating results and revisions to our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the markets for our products;
- the Global Offering;

- changes in the economic performance or market valuations of companies specialising in our industry or our customers or their industries;
- changes in market valuations of U.S. listed companies headquartered in China, and in particular small capitalisation companies;
- announcements by us or our competitors of new products, acquisitions, strategic relationships, joint ventures or capital commitments;
- addition or departure of our senior management and key personnel;
- fluctuations of exchange rates between the Renminbi and the U.S. dollar; and
- sales or perceived potential sales of the ADSs or shares of Ossen Innovation.

Under NASDAQ Capital Market listing rules, the ADSs of Ossen Innovation need to trade at a bid price at or above US$1.00, and if this requirement has not met for an extended period of time or rectified in a timely manner, Ossen Innovation may be delisted from NASDAQ. Please refer to the section headed "History, Reorganisation and Group Structure — Listing on Other Stock Exchanges — Historic non-compliance incidents" for further information. In addition, the characteristics of the U.S. capital markets and the Hong Kong capital markets are different. The NASDAQ and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). Accordingly, the trading prices and volumes of our Shares on the Stock Exchange may be affected by the market price for the ADSs of Ossen Innovation.

Ossen Innovation may be subject to securities litigation in the United States, which could be expensive and divert management attention

As a publicly traded company on NASDAQ, Ossen Innovation is subject to securities litigation claims by its ADS holders in the United States regardless of whether there is any substantial merit to the claims. In particular, companies that have experienced volatility in the volume and market price of their shares have been subject to an increased incidence of securities class action litigation which would likely be expensive. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, and, if adversely determined, could have a material adverse effect on our business, financial condition and results of operations.

There is no assurance that the Company will declare dividends in the future

Since the date of our incorporation, no dividend has been paid or declared by us. We may pay dividends to our Shareholders in the future. We cannot guarantee whether and when any dividends will be paid in the future, and potential investors should be aware that historical dividends record shall not be used as a reference or basis upon which future dividends may be determined. The declaration, payment and amount of any future dividends of the Company will be subject to the discretion of the Directors, and will depend upon, among other things, our earnings, financial condition, cash requirements and availability of profits, the provisions of the Articles and the Companies Law and other relevant factors. Details of our Company's dividend policy and dividends are set out in the section headed "Financial Information — Dividend".

In particular, our Company is a holding company and conducts substantially all of our business through our operating subsidiaries. As a result, our ability to pay dividends depends on dividends and other distributions received from our operating subsidiaries, which in turn depend on the legal and regulatory requirements to which the relevant subsidiary is subject. Generally, our subsidiaries could not pay any dividends to us if they do not have any distributable profit. Limitation on the ability of our subsidiaries to remit their after-tax profits to us in the form of dividends or other distributions could adversely affect our ability to grow, invest, pay dividends and other distributions and conduct our business. In addition, restrictive covenants in banking facilities that our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to pay dividends or make distributions to us. These restrictions would reduce the amount of dividends or other distributions we could receive from our subsidiaries, which in turn would restrict our ability to pay dividends to our Shareholders.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the laws of Hong Kong and other jurisdictions

Our corporate affairs are governed by, among other things, the Memorandum and Articles of the Company and the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Companies Law is set out in Appendix III to this prospectus.

We cannot guarantee the accuracy of facts and other statistics with respect to our industry contained in this prospectus

We have derived certain facts and other statistics in this prospectus relating to the industry in which we operate from various third-party sources that we believe to be reliable and appropriate. While we have taken reasonable care in the reproduction of the information and our Directors have no reason to believe that any of the information is false or misleading or that any fact has been omitted that would render it false or misleading, such facts and statistics not been prepared or independently verified by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or any of our or their respective directors, officers, employees, agents, affiliates or advisers or any other party involved in the Global Offering. Therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information complied within or outside China or available from other sources. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practise or other reasons, such facts and statistics may be inaccurate and may not be comparable to official statistics and you should not place undue reliance on them. Accordingly, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Investors should not rely on any information in the press articles or other media regarding our Group or the Global Offering not contained in this prospectus

There may be certain press coverage in certain news publications regarding our Group and the Global Offering which include certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We wish to emphasise to potential investors that we do not accept any responsibility for the accuracy or completeness of any information disseminated in the articles or media and that such information was not sourced from or authorised by our Group.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the information and underlying assumptions. To the extent that any of such information is inconsistent with, or conflicts with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This document contains certain statements that are "forward-looking" and indicated by the use of forward-looking terms such as "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "project", "seek", "should", "will" or "would" or similar expressions. You are cautioned that any forward-looking statement involves risks and uncertainties and any or all of the assumptions relating to the forward-looking statements could prove to be inaccurate. As a result, the forward-looking statements could be incorrect. The inclusion of forward-looking statements in this prospectus should not be regarded as a representation by us that the plans and objectives will be achieved, and you should not place undue reliance on such statements.

In preparation for the Listing, our Company has sought the following waiver from strict compliance with the relevant provision of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

At present, since we conduct our principal business operations in the PRC, all of our four executive Directors are not ordinarily resident in Hong Kong and will continue to be based in the PRC. We do not and will not, in the foreseeable future, have a sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(i) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channels of communication with the Stock Exchange. The two authorised representatives are Dr. Tang, our executive Director and Ms. Choy Yee Man (蔡綺文), our company secretary. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, email and facsimile by the Stock Exchange. We have duly authorised both of the representatives to communicate on our behalf with the Stock Exchange;

(ii) our authorised representatives have means to contact all Directors (including the independent non-executive Directors) and the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance the communication between the Stock Exchange, (a) each executive Director and independent non-executive Directors has provided his mobile phone number, office phone number, facsimile number (if available) and email addresses (if available) to the authorised representatives; (b) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives; and (c) all Directors and authorised representatives will provide their respective mobile phone number, office phone number, facsimile number and email address to the Stock Exchange;

(iii) each of our Directors who is not ordinarily resident in Hong Kong has confirmed that he either possesses or will apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange within a reasonable period of time; and

(iv) we have also, in accordance with Rule 3A.19 of the Listing Rules, appointed Haitong International Capital Limited, as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date. The compliance adviser will have access at all times to our authorised representatives, Directors and the other senior management of the Company to ensure that it is in a position to provide prompt response to the enquiries or requirements raised by the Stock Exchange in respect of our Company.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE HONG KONG PUBLIC OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as at any subsequent time.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 24,000,000 Hong Kong Offer Shares and the International Offering of initially 216,000,000 International Offer Shares.

The application for listing of our Shares is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and is subject to our Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on or before Friday, 24 May 2019, unless otherwise announced, the Global Offering will not proceed and will lapse. Further information about the Underwriters and the Underwriting Agreements is set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or deemed by his acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offer and sale of the Offer Shares described in this prospectus, where applicable.

No action has been taken to permit a public offer of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to any registration made with or authorization by the relevant securities regulatory authorities or an exemption from applicable securities laws.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of listing of, and permission to deal in, our Shares in issue prior to the Global Offering and to be issued pursuant to the Capitalisation Issue and the Global Offering (including any additional Shares which may be issued and offered for sale pursuant to the exercise of the Over-allotment Option) and any Shares which may fall to be allotted and issued pursuant to any exercise of the options to be granted under the Share Option Scheme.

No part of our Shares is listed on or dealt in any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

STAMP DUTY

Dealings in our Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. If you are unsure about the taxation implications of subscribing for the Offer Shares, or about purchasing, holding or disposing of or dealing in them, you should consult an expert.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed "Structure of the Global Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilisation" in this prospectus.

REGISTER OF MEMBERS

Our Company's principal register of members will be maintained by its Principal Share Registrar, Estera Trust (Cayman) Limited in the Cayman Islands and our Company's branch register of members will be maintained by its Hong Kong Branch Share Registrar, Tricor Investor Services Limited in Hong Kong. All Shares to be issued or sold pursuant to the Capitalisation Issue, the Global Offering (including any Shares to be issued or sold upon the exercise of the Over-allotment Option), the exercise of the options which may be granted under the Share Option Scheme will be registered on our Company's branch register of members maintained in Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred, or hundred thousand, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding. Accordingly, the total of each column of figures as presented may not be equal to the sum of the individual items.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Renminbi have been translated, for the purpose of illustration only, into Hong Kong dollars, and vice versa, in this prospectus at the following rates:

RMB0.887: HK$1

No representation is made that any amounts in Renminbi or Hong Kong dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. Tang Liang (湯亮)	49 Wan Ping Road, Xuhui District Shanghai, China	Chinese
Mr. Zhou Xufeng (周旭峰)	Room 1203, No. 7, Lane 555 Zhangyang North Road Shanghai, China	Chinese
Ms. Zhang Weiwen (張偉文)	Room 1403, No. 335 Dongyuan No. 3 Village Shanghai, China	Chinese
Mr. Ni Xiaofeng (倪曉峰)	Room 1003 No. 281, Gongfu Ercun Shanghai, China	Chinese
Independent non-executive Directors		
Ms. Pan Yingli (潘英麗)	No. 149, Lane 99 Wan Ding Road Minhang District Shanghai, China	Chinese
Mr. Chen Dewei (陳德偉)	Room 901, No. 65, Lane 288 Shuang Yang North Road Shanghai, China	Chinese
Mr. Zhang Bihong (張弼弘)	Flat E, 22/F, Block 2 1 Austin Road West The Harbourside Tsim Sha Tsui Kowloon, Hong Kong	Chinese

For more information on our Directors and members of senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Haitong International Capital Limited** 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Sole Global Coordinator	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **SPDB International Capital Limited** Suites 3207-3212, 32/F, One Pacific Place 88 Queensway, Hong Kong **CMBC Securities Company Limited** 45/F, One Exchange Square, 8 Connaught Place Central, Hong Kong
Joint Lead Managers	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **SPDB International Capital Limited** Suites 3207-3212, 32/F, One Pacific Place 88 Queensway, Hong Kong **CMBC Securities Company Limited** 45/F, One Exchange Square, 8 Connaught Place Central, Hong Kong **BOSC International Company Limited** 34/F, Champion Tower 3 Garden Road Central, Hong Kong
Co-Lead Managers	**Sinomax Securities Limited** Room 2705-6, 27/F Tower One, Lippo Centre 89 Queensway, Hong Kong **I Win Securities Limited** Room 1916, Hong Kong Plaza 188 Connaught Road West, Hong Kong **Head & Shoulders Securities Limited** Room 2511, 25/F, Cosco Tower 183 Queen’s Road Central, Hong Kong

Legal advisers to our Company	*As to Hong Kong law* **K&L Gates** 44/F, Edinburgh Tower, The Landmark 15 Queen's Road Central Central, Hong Kong
	As to PRC law **Grandall Law Firm (Shanghai)** 23-25/F, Garden Square 968 West Beijing Road Shanghai 200041, China
	As to Cayman Islands law **Maples and Calder (Hong Kong) LLP** 53rd Floor, The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **Norton Rose Fulbright Hong Kong** 38/F, Jardine House 1 Connaught Place Central, Hong Kong
	As to PRC law **JunHe LLP** 26/F, HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No.1) Shanghai, China
Auditors and Reporting Accountants	**BDO Limited** *Certified Public Accountants* 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B 500 Yunjin Road Xuhui District Shanghai, China
Receiving Bank	**CMB Wing Lung Bank Limited** Room 1503 CMB Wing Lung Bank Centre 636 Nathan Road Kowloon, Hong Kong

Registered office	Maples Corporate Services Limited PO Box 309 Ugland House, Grand Cayman KY1-1104 Cayman Islands
Headquarters and principal place of business in the PRC	Floor 16, 518 Shangcheng Road Shanghai 200120 PRC
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's website	www.pji-group.com *(Note: content in this website does not form part of this document)*
Company secretary	Ms. Choy Yee Man (蔡綺文) *(FCS, FSIC)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Dr. Tang Liang (湯亮) 49 Wan Ping Lu, Xuhui District Shanghai, China Ms. Choy Yee Man (蔡綺文) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit committee	Mr. Zhang Bihong (張弼弘) *(Chairman)* Ms. Pan Yingli (潘英麗) Mr. Chen Dewei (陳德偉)
Remuneration committee	Ms. Pan Yingli (潘英麗) *(Chairman)* Mr. Chen Dewei (陳德偉) Mr. Zhang Bihong (張弼弘)
Nomination committee	Mr. Chen Dewei (陳德偉) *(Chairman)* Ms. Pan Yingli (潘英麗) Mr. Zhang Bihong (張弼弘)

Compliance adviser	Haitong International Capital Limited 8/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Principal bankers	Guangzhong Sub-branch, Bank of Shanghai No. 879, Guangzhong Road Shanghai, China
	Jiashan Sub-branch, Agriculture Bank of China No. 285, East Jiefang Road Weitang Street, Jiashan County Jiaxing City, Zhejiang Province, China
	Shanghai Branch, Bank of Nanjing No. 909, North Zhongshan Road Shanghai, China
Principal Share Registrar and Transfer Office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

Certain information contained in this section and elsewhere in this prospectus has been derived from various public sources or extracted from a commissioned market research report prepared by Frost & Sullivan for the purposes of this prospectus. We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or that any fact has been omitted that would render such information misleading. In addition, we believe there is no adverse change in market information since the date of the Frost & Sullivan report which may qualify, contradict or have an impact on such information. However, such information has not been independently verified by us or any of our Directors, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers or the Underwriters and no representation is given as to its accuracy. Such information may not be consistent with the information compiled by other sources.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to conduct market research and analysis on the bridge cable market and prestressed materials industry in China for the period from 2013 to 2022. The market research was completed in December 2018. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training.

In preparing the report described above, Frost & Sullivan conducted detailed primary research which involved discussions on the status of the selected industries with certain leading industry participants. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database.

Frost & Sullivan obtained the figures for various market size estimates from historical data analysis plotted against macroeconomic data, as well as considered the industry key drivers discussed in the report. Its forecasting methodology integrates several forecasting techniques with its internal analysis of critical market elements investigated in connection with its market research work. These elements include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of market trends and integration of econometric variables.

We were charged RMB0.84 million by Frost & Sullivan in connection with its preparation of the research which we believe reflects market rates for reports of this type. Our payment of such fee is not contingent upon the results of its research and analysis. The research report is based on the following basis and assumptions:

- China's economy is expected to maintain a steady growth during the forecast period;
- China's social, economic, and political environment is expected to remain stable during the forecast period; and
- China's fixed asset investment is expected to maintain a steady growth rate due to key drivers such as urbanisation, the "13th Five Year Plan" and the "Belt and Road" Initiative.

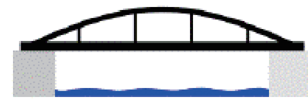
THE BRIDGE CONSTRUCTION INDUSTRY IN CHINA

Types of Bridges

Bridges can be classified by structure or size. Structure refers to the main load-bearing structure of a bridge and size refers to the length of main span of the bridge. Bridges are designed to cater for the functionalities of a bridge, the geographies of the construction site, the amount of available funds, etc. Bridge cables are often used for the construction of long-span bridges. As the bridge span gets longer, the load of the deck is transmitted to the ground through bridge cables. Please refer to "Business — Our Business — Cable Business" for simple illustration of a suspension bridge and cable-stayed bridge.

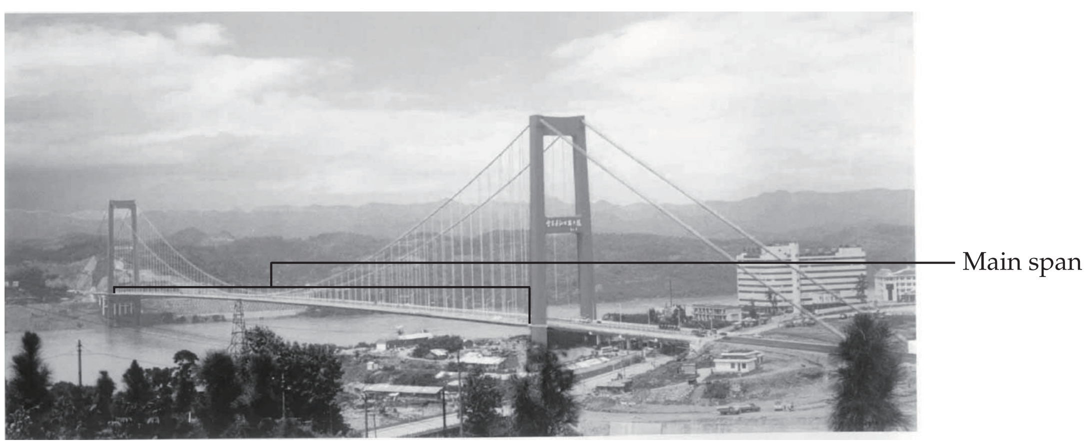
Below set out the description of bridges that our Group supplies to:

By structure

Types	Description	
• Arch bridge	Arch bridges use the arch as the main load-bearing structure and transmit part of the load to the ground through bridge cables.	
• Cable-stayed bridge	Cable-stayed bridges use stay cables to connect the pylons and the deck and this connecting structure forms the main load-bearing structure of the bridge.	
• Suspension bridge	Suspension bridges use main cables and hangers as the main load-bearing structure.	

By Size

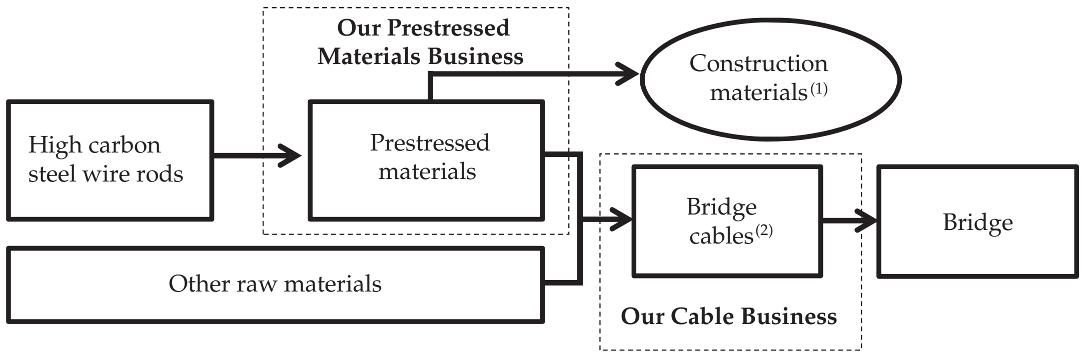
The size of a bridge depends on the length of the main span and main span refers to the longest span of a bridge as illustrated below:



Types

• Super-long-span bridges	Super-long-span bridges refer to cable-stayed bridges with a main span of 400 m. or above and suspension bridges with a main span of 900 m. or above, which demand high standards of technical skills in its construction and use of materials. As the main span gets longer, the difficulty in its design and construction techniques (including the technological requirements for bridge cables) increases considerably.
• Long-span bridges	Long-span bridges generally refer to all the cable-stayed bridges and suspension bridges that use bridge cables as the main load-bearing structure.
• Other bridges	Other bridges refer to bridges that do not use bridge cables as the main load-bearing structure. They include certain arch bridge, beam bridge, truss bridge and bridges with a short main span. These bridges account for the majority of the bridges constructed in China.

The Supply Chain for Bridge Cable Manufacturing



Notes:

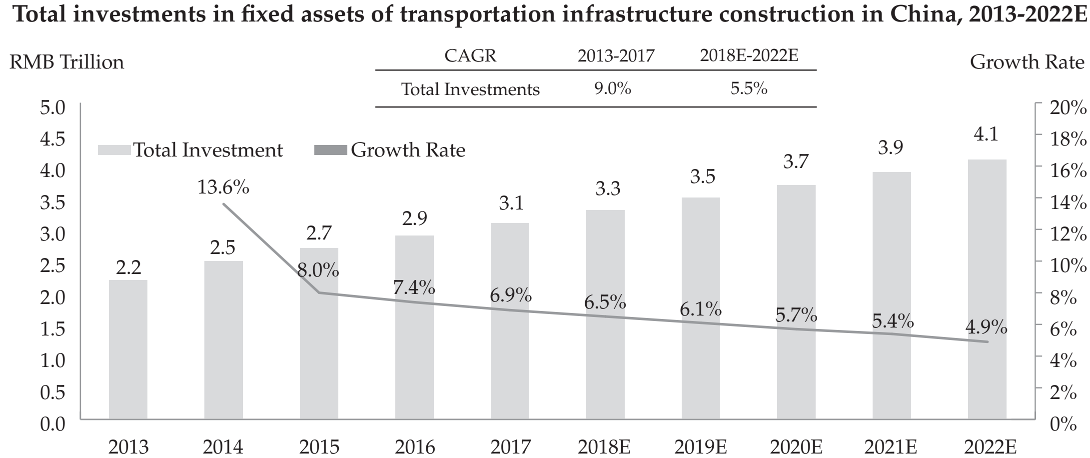
(1) Prestressed materials manufacturers mainly supply prestressed materials as raw materials to construction materials manufacturers to produce pre-cast concrete components or for construction projects such as airports, stadiums, exhibition centres, and oil-drilling platforms.

(2) Prestressed materials manufacturers mainly supply galvanised prestressed materials to bridge cable manufacturers as raw materials to produce bridge cables.

The Bridge Construction Market in China

The growth of the bridge construction market has been correlated with China's increasing investment in infrastructure construction pursuant to government's initiatives in social development and the improvement in bridge construction technology in recent years. During the period between 2013 and 2017, the CAGR of total investments in fixed assets for transportation infrastructure in China was 9.0%, while the CAGR of investment in fixed assets for tunnel and bridge construction in China was 11.5%. It is expected that with the introduction of various new government policies in relation to infrastructure development, such as the "13th Five Year Plan" and the "Belt and Road" Initiative, more bridges will be built and significant investment will be deployed in the transportation infrastructure sector. According to Frost & Sullivan, the fixed assets investment in (a) transportation infrastructure construction is forecasted to grow at a CAGR of 5.5%; and (b) tunnel and bridge construction is forecasted to grow at a CAGR of 10.4% between 2018 and 2022; and the total length of highway bridges in China is projected to rise at a CAGR of 6.2% between 2018 and 2022.

Total investments in fixed assets of transportation infrastructure construction in China, 2013-2022E



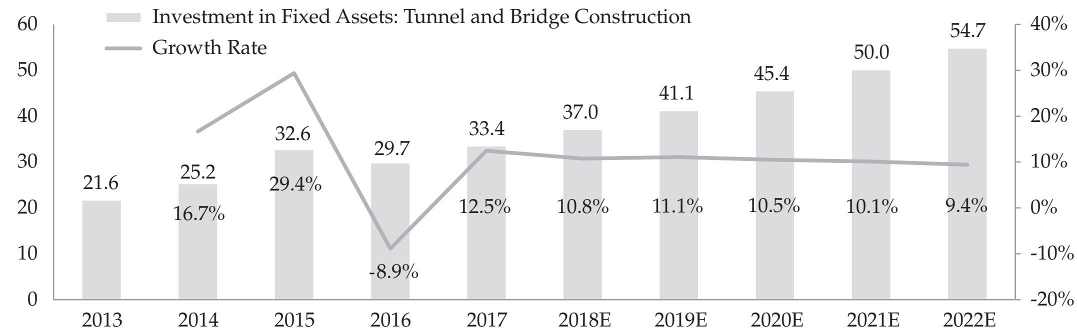
Source: *National Bureau of Statistics of China, Frost & Sullivan*

Investment in Fixed Assets: Tunnel and Bridge Construction, 2013-2022E

CAGR	2013-2017	2018E-2022E
Tunnel and Bridge Construction	11.5%	10.4%

RMB Billion

Growth Rate



Source: *National Bureau of Statistics of China, Frost & Sullivan*

THE BRIDGE CABLE INDUSTRY MARKET IN CHINA

Bridge cables are an essential component in long-span bridges and they are the main load-bearing or force transmission structure on a bridge. They are mainly used for the construction of long-span bridges including suspension bridges and cable-stayed bridges. Apart from bridge applications, bridge cables are sometimes used for the construction of large architectural structures such as airports and sports stadiums. The history of the construction of long-span bridges in China can be traced back to 1991 when the first Chinese-made cable-stayed super-long-span bridge, Shanghai Nanpu Bridge (南浦大橋) was completed.

Bridge cables can be categorised into suspension cables and stay cables, and they are mainly used for the construction of suspension bridge and cable-stayed bridges.

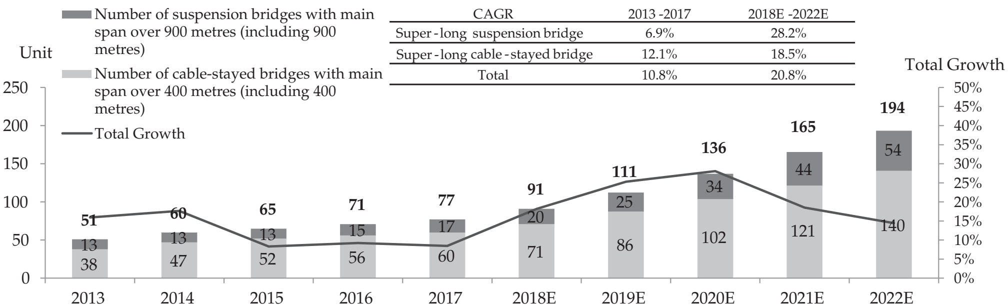
Please refer to the section headed "Business — Our Business — Cable Business — Overview" for the illustrations of the cables used for suspension bridges and cable-stayed bridges.

The Bridge Cable Market in China

The growth of the bridge cable manufacturing industry is largely correlated to the super-long-span bridge construction industry as bridge cables are an essential part of its construction.

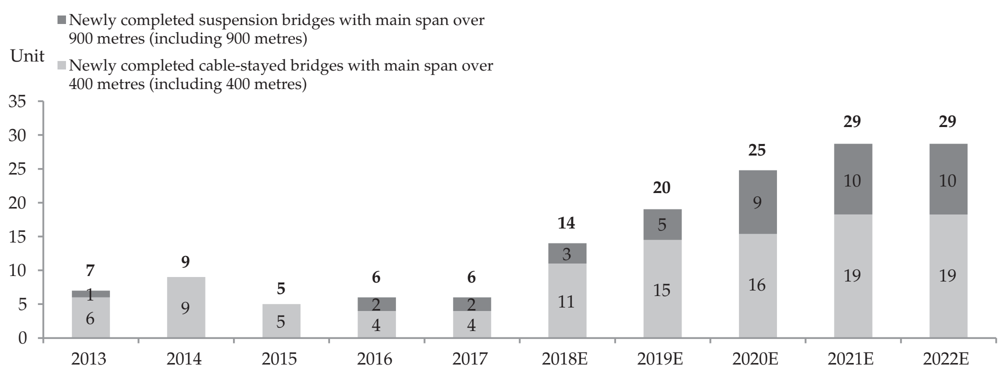
During the period of 2013 to 2017, the number of completed super-long-span bridge increased at a CAGR of 10.8%, from 51 to 77, and the number of completed super-long-span bridges is forecasted to reach 194 in 2022, representing a CAGR of 20.8% between 2018 and 2022. It is expected there will be around 23 newly completed super-long-span bridges in China every year on average between 2018 and 2022.

Total number of completed super-long-span bridges in use in China (based on bridges that are open to traffic), 2013-2022E



Source: *Frost & Sullivan*

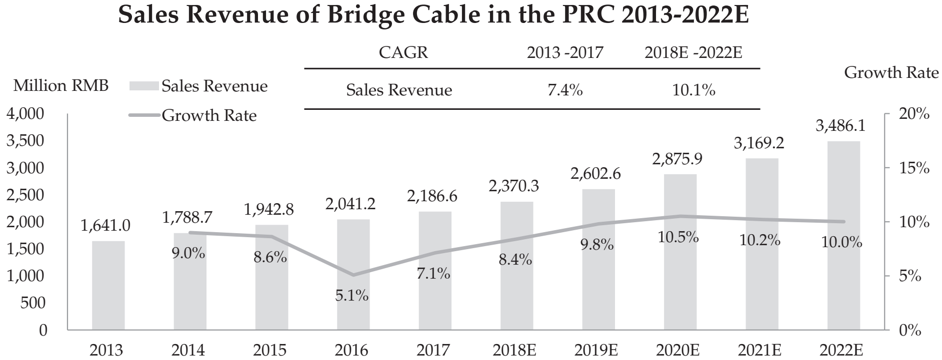
Number of newly completed super-long-span bridges in use in China, 2013-2022E



Source: *Frost & Sullivan*

According to Frost & Sullivan, the pricing of cable products is determined by various factors including the raw material price, price sensitivity of the customer, technical requirements for the specific project and customer relationship, and profit margin for the bridge cable manufacturer. Therefore, the selling price for each project may differ significantly. The average selling price of cable products for the market in China fluctuated from around RMB10,000 per tonne to RMB20,000 per tonne between 2013 and 2017. Going forward, the average selling price of cable products is expected to fluctuate in response to the rising raw material prices and demand for infrastructure construction projects, according to Frost & Sullivan.

Sales Revenue of Bridge Cable in the PRC 2013-2022E

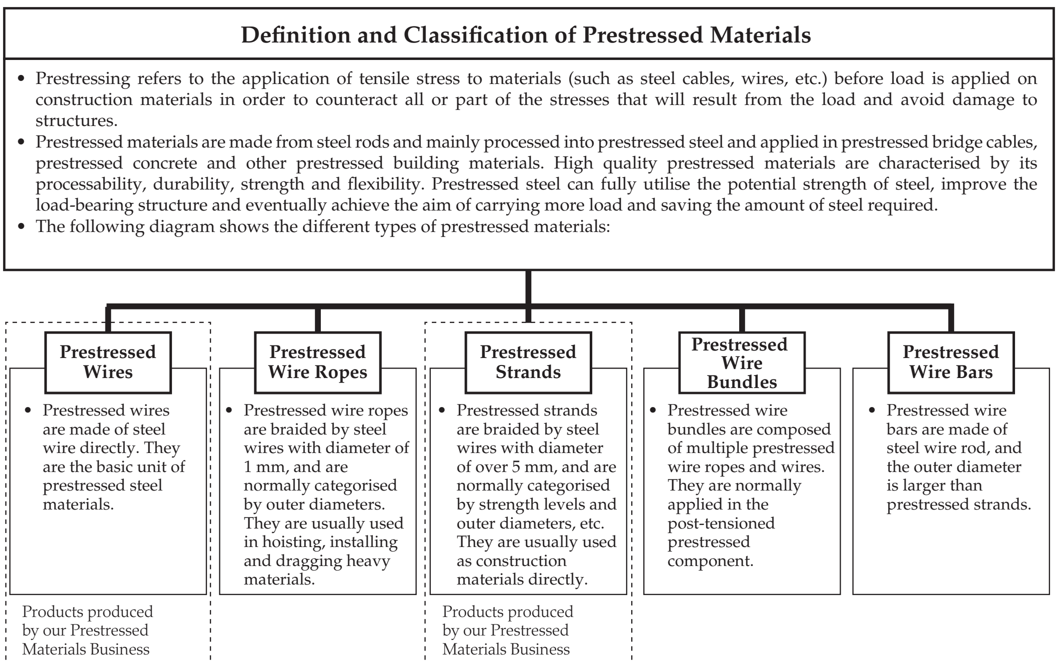


Source: *Frost & Sullivan*

The total sales revenue of bridge cable market in China grew steadily from approximately RMB1,641.0 million in 2013 to approximately RMB2,186.6 million in 2017 at a CAGR of 7.4%, driven by the increase in the number of super-long-span bridge and an increase in investment in fixed assets in China, according to Frost & Sullivan. It is forecasted that the market will continue to grow at a CAGR of 10.1% between 2018 and 2022 due to a growing demand for super-long-span bridges in China, according to Frost & Sullivan.

PRESTRESSED MATERIALS MANUFACTURING INDUSTRY IN CHINA

Types of Prestressed Materials

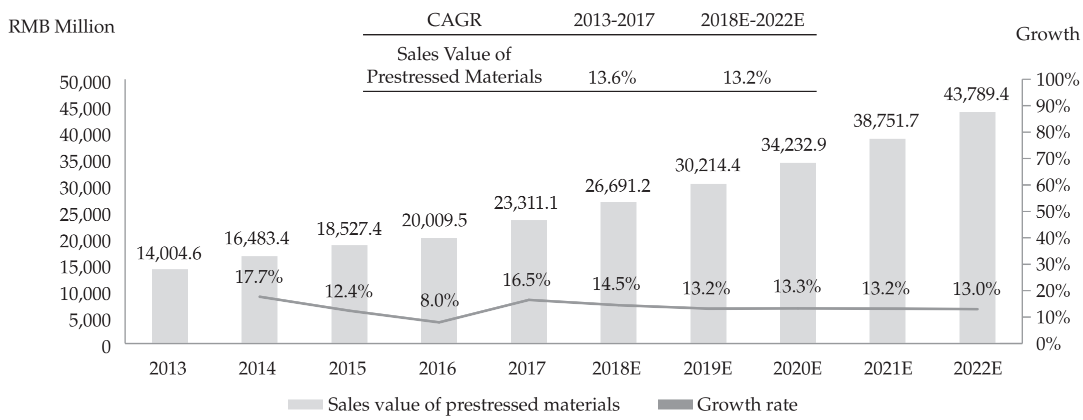


The Prestressed Materials Market in China

The total sales value of prestressed materials in China grew steadily from approximately RMB14,004.6 million in 2013 to approximately RMB23,311.1 million in 2017 at a CAGR of 13.6%, although the growth rate slowed in 2015 and 2016 as the government's "12th Five Year Plan", a government policy concerning the economic and social development implemented in 2010, had come to its final stage. It is forecasted that the market will regain its growth momentum and reach RMB43,789.4 million by 2022, achieving a CAGR of 13.2% between 2018 and 2022, according to Frost & Sullivan. The new "13th Five Year Plan" which began in 2016, is expected to boost the infrastructure investment in China and lead to a higher demand for infrastructure construction raw materials.

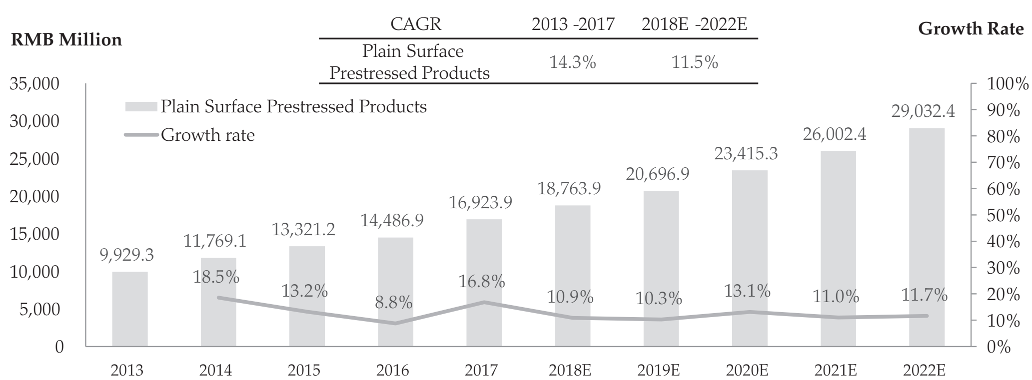
The prestressed materials market is expected to grow at a CAGR of 13.2% between 2018 and 2022 while the total investment in fixed assets of infrastructure construction in China is expected to grow at a CAGR of 11.8% between 2018 and 2022 mainly due to (i) higher safety and technological requirement in building construction, which would lead to an increase in the volume of prestressed materials used, and (ii) increased demand for higher specification, prestressed products as product standards advance, which is likely to increase the average market price, according to Frost & Sullivan.

Sales Value of Prestressed Materials in China, 2013-2022E



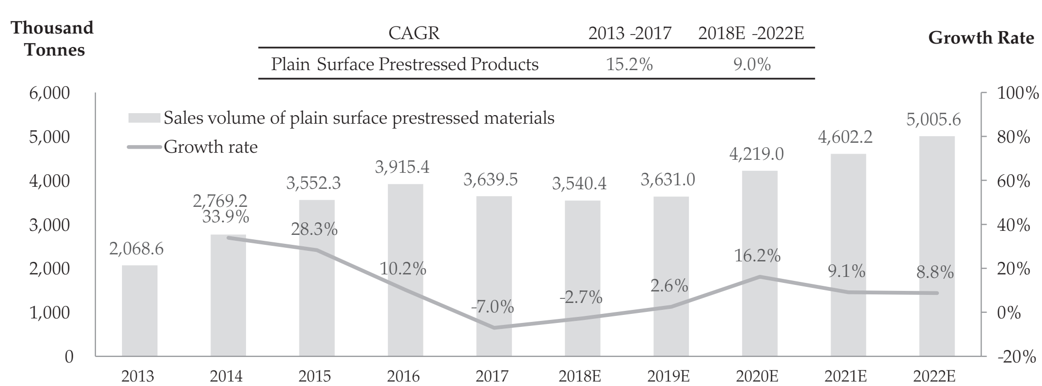
Source: *Frost & Sullivan*

Sales Value of Plain Surface Prestressed Products in the PRC, 2013-2022E



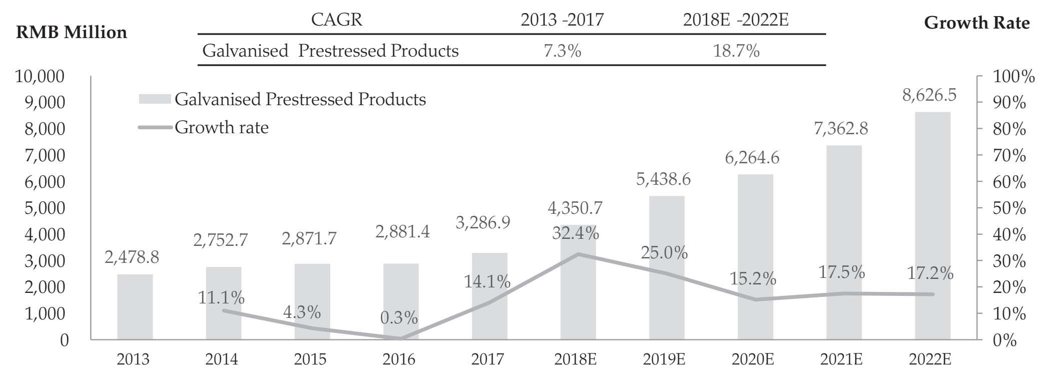
Source: *Frost & Sullivan*

Sales Volume of Plain Surface Prestressed Products in the PRC, 2013-2022E



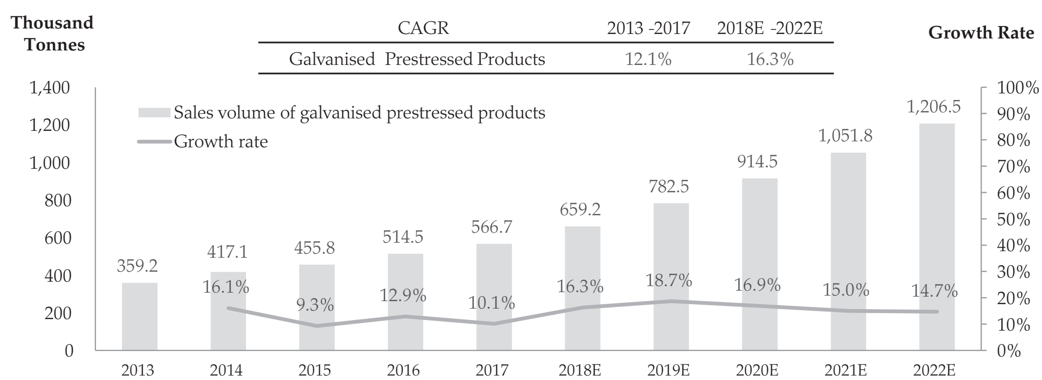
Source: *Frost & Sullivan*

Sales Value of Galvanised Prestressed Products in the PRC, 2013-2022E



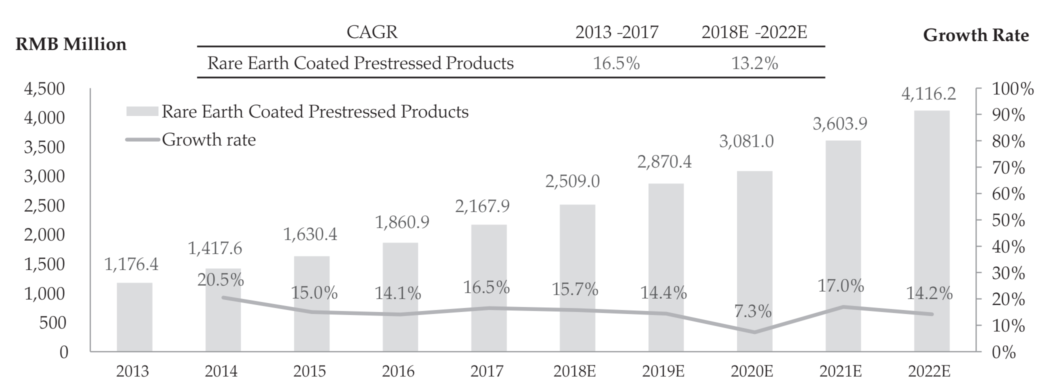
Source: *Frost & Sullivan*

Sales Volume of Galvanised Prestressed Products in the PRC, 2013-2022E



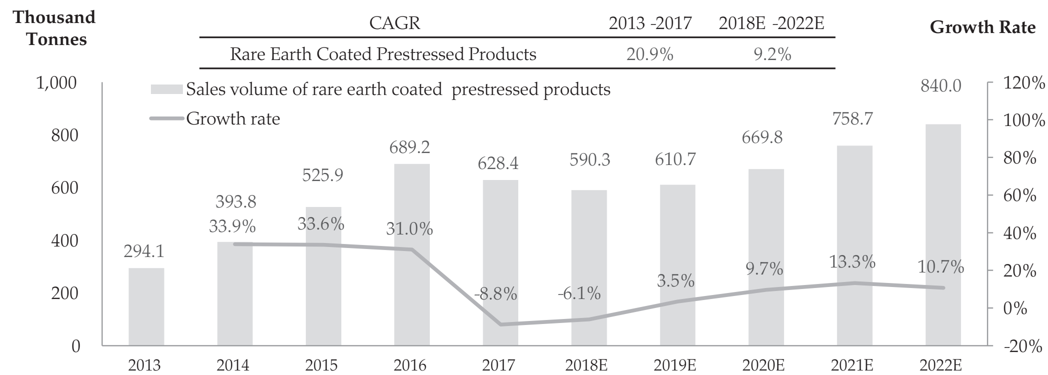
Source: *Frost & Sullivan*

Sales Value of Rare Earth Coated Prestressed Products in the PRC, 2013-2022E



Source: *Frost & Sullivan*

Sales Volume of Rare Earth Coated Prestressed Products in the PRC, 2013-2022E



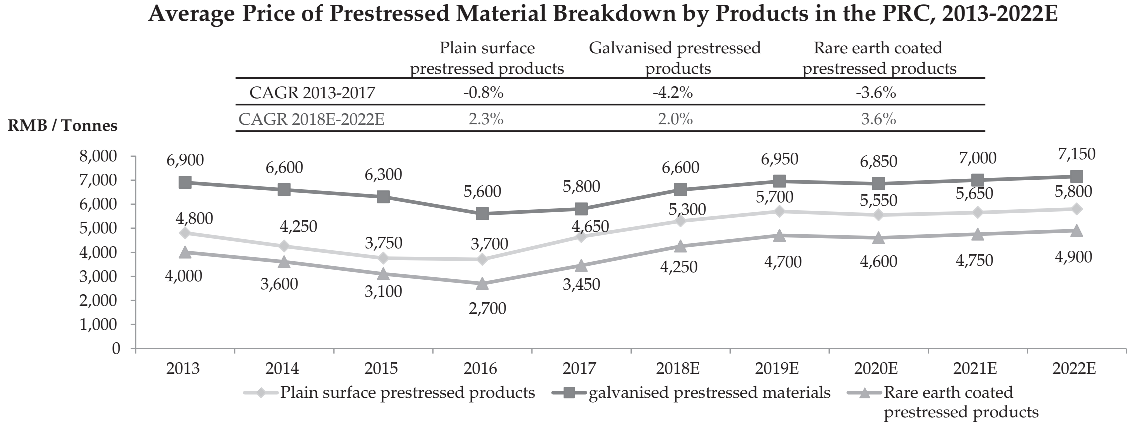
Source: *Frost & Sullivan*

Plain surface prestressed products: Plain surface prestressed products are commonly used as prestressed material in road building and railway construction and contributed to the majority of the market size of the prestressed materials market. Between 2013 and 2017, the sales value for plain surface prestressed products in the PRC grew steadily at a CAGR of 14.3% and is forecasted to grow at a CAGR of 11.5% between 2018 to 2022 due to the favourable outlook driven by the growing investments in fixed assets of infrastructure construction and transportation, according to Frost & Sullivan. Sales volume of the plain surface prestressed products decreased slightly since 2016 from 3.9 million tonnes in 2016 to 3.5 million tonnes in 2018 due to the slowdown in the fixed assets investment in the last few years.

Galvanised prestressed products: Galvanised prestressed products are widely used in various architectural structures such as bridge cable construction, large stadiums and oil drilling platform that requires high corrosion resistance as the prestressed wires can be galvanised with various metallic compound such as zinc alloy and magnesium alloy providing various strength levels. The sales value for galvanised prestressed products in the PRC grew at a CAGR of 7.3% between 2013 to 2017. With the increasing application of the galvanised prestressed products and a growth in the demand for bridge cables, it is expected that the sales value will grow at a CAGR of 18.7% between 2018 to 2022, according to Frost & Sullivan.

Rare earth coated prestressed products: The sales value of the rare earth coated prestressed products in the PRC recorded a CAGR of 16.5% between 2013 to 2017 and is expected to grow at a slower CAGR of 13.2% between 2018 and 2022. From 2016 to 2018, sales volume was also on a decreasing trend, decreasing by 14.3% from 689.2 thousand tonnes in 2016 to 590.3 thousand tonnes in 2018. It is forecasted that the growth rate and sales volume will start to pick up in 2019 due to the positive market outlook in investment in fixed assets in China, according to Frost & Sullivan.

Average Price of Prestressed Material Breakdown by Products in the PRC, 2013-2022E



Source: *Frost & Sullivan*

The price trend for prestressed material products are significantly dependent on the price fluctuation of its major raw materials, high carbon steel wire rods. The price for prestressed materials products normally reflect changes to the price of high carbon steel wire rods, but with around a one year delay because the market price for prestressed products reflect the historical raw material costs used for production. Market prices for prestressed products reflect historical raw material prices and not current raw material prices due to the time needed to acquire the wire rods, produce the final prestressed material products, and sell and deliver such products to customers, and as prestressed product manufacturer normally price their products on a cost plus a fixed margin basis. Please refer to the section headed "Industry Overview — Pricing Trends for Raw Materials" for analysis of the price fluctuation of high carbon steel wire rod in China. The price is also affected by factors including the market of infrastructure construction, government policies on steel production and competition. The average price of prestressed materials for each of the plain surface prestressed products, galvanised prestressed products and rare earth coated prestressed products generally moved in the same trend as shown in the chart above. From 2013 to 2017, the CAGR ranged from -0.8% to -4.2%, however, it is expected that between 2018 and 2022, it will range from 2.0% to 3.6%.

MARKET ANALYSIS FOR THE BRIDGE CABLE AND PRESTRESSED MATERIALS INDUSTRY

Key Market Drivers and Trends

Key market drivers and trends for the bridge cable industry and prestressed materials industry

Increase in infrastructure investment in China: The PRC government's "13th Five Year Plan", proposed to accelerate and raise economic competitiveness in China and infrastructure construction is named as one of the key development areas within the next five years. In particular, the 13th Five Year Plan for Western Development, approved in January 2017, has pointed out that infrastructure construction in the Western region in China would be a focus in order to boost economic growth within the Western region in China. Therefore, it is expected that substantial resources will be deployed to further develop infrastructure construction projects, including transportation, water conservancy, energy and telecommunications within the next few years.

In addition, the terrain of the Western region in China is mountainous with rivers and valleys, and due to this geographical characteristics, the development of transportation infrastructure will result in demand for the construction of large bridges. As bridge cables are an inseparable component of a long-span bridge, it is expected that bridge cables will play an important role in the development in the Western region of China which in turn will bring positive impact to both the bridge cable market and the prestressed materials market.

Promotion of transportation infrastructure within China's neighbouring countries: The "Belt and Road" Initiative was introduced by the PRC government in 2015, aiming at fostering the economic cooperation, increasing cultural exchanges and broadening trade within the North, Central Asia and Southeast Asia.

Since the implementation of this initiative, as at September 2018, numerous sino-foreign transportation infrastructure projects have commenced, including the Colombo Port City, the China-Maldives Friendship Bridge, Hungary-Serbia railway and the Bangladesh Padma Bridge. With these initiatives, construction of transportation infrastructure is expected to continue to grow which would potentially lead to a growth in the bridge cable manufacturing industry and the prestressed materials industry.

Competitive advantage in Chinese brands over overseas brands: China has been one of the world's largest producers of prestressed materials in terms of production volume over the past decade. Over the past ten years, Chinese prestressed materials manufacturers and bridge cables manufacturers have gained in-depth know-how and technical expertise, benefiting from the large and growing amount of construction and fixed asset investment in China. The advanced quality of bridge cables made in China is a result of increasing and continuous investment in research and development by domestic manufacturers. Chinese-produced cables now meet or exceed international quality standards, and have been successfully applied on many bridges internationally, such as the San Francisco Oakland Bay Bridge in the United States, the Bandra-Worli Sea Link in Mumbai of India, and the Hålogaland Bridge in Norway. In addition, with the accumulated experience and upgraded manufacturing facilities, Chinese bridge cable manufacturers have successfully managed to control production costs while improving efficiency, which have contributed to price advantages when competing in international markets.

Key market drivers and trends for the bridge cable industry

Maintenance and replacement of bridge cables in China and overseas market: In addition to the growth in newly constructed bridges, ageing large bridges have also posed opportunities to bridge cables manufacturers. According to Frost & Sullivan, the life span of stay cables are limited and if without proper maintenance, the bridge cable may break and could endanger the users of the bridge. As a result, some of the long-span bridges built in China during the 1990s are entering into a phase of bridge cable replacement, and it is expected this will lead to increasing demand for bridge cables. In the United States, approximately one out of nine bridges were determined to be structurally deficient and many bridges had already reached the end of their life cycle, thus requiring substantial repair, maintenance or replacement, according to a research report dated June 2013 issued by the U.S. Transportation Energy and Technology Alliance.

Key market drivers and trends for the prestressed materials industry

Expansion in the application of prestressed materials: Prestressed materials have a wide application and play a crucial role in infrastructure construction projects, such as the construction of bridges, railway network, hydropower structure, residential and commercial buildings, oil drilling platform and other large architectures. In addition, further expansion of the application of prestressed materials is expected as the performance of prestressed materials in terms of strength and anti-erosion capabilities have been increasing due to technological improvements and production techniques. An increase in fixed assets infrastructure investment would help to promote the demand for the prestressed materials. Under the 13th Five Year Plan, infrastructure construction is one of the key development areas, which would further stimulate the demand for prestressed materials. According to Frost & Sullivan, the total investment in fixed assets of infrastructure construction in China is expected to grow at a CAGR of 11.8% between 2018 and 2022.

Government Initiatives on prestressed materials: In 2006, prestressed materials have been named as a key technology development area in the Catalogue of Chinese New and High-tech Export Products. Following the introduction of this initiative, the government has put in place further policies to enhance the development of the industry. In November 2016, in line with the 13th Five Year Plan, the steel industry announced a five-year industry upgrade proposal (鋼鐵工業調整升級規劃) which proposed an upgrade of industry standard of prestressed materials in China and it is anticipated that this will incentivise prestressed materials manufacturers to further invest in their research and product enhancement.

Consolidation of prestressed materials manufacturers: The prestressed materials manufacturing industry has experienced consolidation and restructuring due to recent consolidation of steel manufacturers. Since 2016, the government has proactively eliminated steel manufacturers that have low product quality standard and could not meet environmental standards in terms of energy-saving, quality, safety and production technology. With local governments having strengthened their supervision of steel manufacturers, the number of steel manufacturers in China is expected to further decrease. Those manufacturers with good quality products and strong research and development capabilities, however, are expected to receive more help from national and local governments. As the prestressed materials manufacturing market is highly fragmented with approximately 600 players, the production capabilities and quality between the large scale and the small scale manufacturers varies. Large scale prestressed materials manufacturers often have established customer relationship with existing large scale steel manufacturers due to their procurement volume and operating history, hence it would be difficult for smaller scale prestressed materials manufacturers to compete for stable supply of raw materials. Furthermore, in 2018, the PRC government launched an initiative to shut down production facilities that did not meet national environmental standards. It is anticipated more small scale steel manufacturers will not be able to compete and therefore be forced out of the market.

According to Frost & Sullivan, the consolidation and shut down of unqualified production facilities has reduced the overall production capacity of prestressed materials leading to an increase in raw material costs and the market prices in the short term, without significantly affecting overall market demand. In the long run, the consolidation and shut down of unqualified production facilities is expected to contribute to a stable growth in raw material costs and market prices as a result of fewer small market players and a focus on production of higher quality products.

Key Entry Barriers

Key barriers to entry for bridge cable manufacturers

Track record: As competitive tender is often the procurement method used for selecting suppliers for bridge construction projects, a good track record is often the key area in a tender evaluation. In addition, since bridges concern public safety, our customers for the Cable Business often put strong emphasis on safety and reliability in tender evaluation. As a result, it will be difficult for new entrants to build up a good track record and to win a tender as they generally do not have the necessary experience required to join the tender nor do they have the established relationship with the project companies or contractors.

Capital and production capabilities: Bridge cable manufacturers require considerable capital investment in plant and equipment. In order to produce bridge cables for super-long-span bridges, the manufacturing equipment are required to meet certain standards in order to produce cables which are able to withstand extreme force. In addition to investment in production equipment, considerable amounts will be needed to invest in the relevant testing equipment, research and development and employees recruitment. Large bridge projects also require cable manufacturers to have sufficient capacity to ensure supply of the cable, preventing smaller players with insufficient capacity from bidding on larger projects. Apart from fixed capital investment, bridge cable manufacturers are also required to have abundant working capital to bid and participate in projects. In general, bridge construction projects require bidders to provide a specified amount with reference to the tender amount as tender bond (投標保證金), which will be returned to the bidder upon the publication of the results of the tender. Moreover, performance bonds are typically required for performance of a project contract that will be released to the bridge cable manufacturers upon the final delivery of products; and retention money that are withheld for warranty claims will only be released to the bridge cable manufacturers upon expiration of warranty period after the completion of the construction of the bridge, typically one to two years. All of these arrangements could also affect the liquidity and cash flow of a bridge cable manufacturers.

Furthermore, because orders for bridge cables are tailored based on the specifications of the bridge, substantial market experience and technical know-how are necessary to compete.

Limited human resources within industry and capabilities: Since the super-long-span bridge cable market is concentrated with only a few players, there are a limited number of experienced technical experts in the market and it would be difficult for new entrants to build a competitive team which is comparable to the existing market players in a short period of time.

Key barriers to entry for prestressed materials manufacturers

Certification: As prestressed materials are ultimately used for infrastructure construction, public safety is of paramount importance. China's prestressed materials manufacturing industry is therefore under intensive supervision by regulatory authority. In September 2016, the State Administration for Quality Supervision and Inspection and Quarantine issued a regulation to place more stringent requirements to obtain production permit, and this includes technological equipment standard and product quality standard. Only qualified manufacturers who could pass all the assessments will be issued a production permit.

Technology: Due to stronger emphasis by downstream customers requiring higher product specifications such as stress level and anti-erosion performance. Prestressed materials manufacturers must possess sufficient research and development capacity to meet such demand.

COMPETITIVE LANDSCAPE

Bridge cable market for super-long-span bridges in China

Market share of players by the number of super-long-span suspension bridges with main span of 900 m. or above in China, 1991 to 2017[1]

Ranking	Company Name	Background	Number of Bridges[2]	Market Share
1	Our Group	–	9	52.9%
2	Competitor A	A company based in Jiangsu Province that mainly engages in the manufacturing of bridge cables in China	8	47.1%
3	Competitor B	A company based in Chongqing that mainly engages in the manufacturing of bridge cables in China	2	11.8%

Market share of players by the number of super-long-span cable-stayed bridges with main span of 400 m. or above, in China, 1991 to 2017[1]

Ranking	Company Name	Background	Number of Bridges[2]	Market Share
1	Our Group	–	18	30.0%
1	Competitor A	A company based in Jiangsu Province that mainly engages in the manufacturing of bridge cables in China	18	30.0%
2	Competitor C	A company based in Henan Province that mainly engages in the manufacturing of bridge cables in China	12	20.0%
3	Competitor B	A company based in Chongqing that mainly engages in the manufacturing of bridge cables in China	10	16.7%
4	Competitor D	A company listed on the Shenzhen Stock Exchange and mainly engages in the manufacturing of rigging materials, bridge cables and prestressed materials in China	2	3.3%

Notes:

(1) The first super-long-span bridge was the Nanpu Bridge, which was completed in 1991, therefore the year 1991 is used to start measuring market share.

(2) As the construction of super-long-span bridges is complex and involves significant workload, in order to meet the scheduled timetable, the construction of a single bridge may require products and services from two or more bridge cable manufacturers. As a result, some bridge projects may be counted in more than one cable manufacturers' portfolio, leading to the aggregated market share of all manufacturers to be greater than 100%.

Source: *Frost & Sullivan*

Market share of players by the total number of super-long-span bridges, in China, 1991 to 2017

Ranking	Company Name	Background	Number of Bridges	Market Share
1	Our Group	–	27	35.1%
2	Competitor A	A company based in Jiangsu Province that mainly engages in the manufacturing of bridge cables in China	26	33.8%
3	Competitor B	A company based in Chongqing that mainly engages in the manufacturing of bridge cables in China	12	15.6%
3	Competitor C	A company based in Henan Province that mainly engages in the manufacturing of bridge cables in China	12	15.6%
4	Competitor D	A company listed on the Shenzhen Stock Exchange that mainly engages in the manufacturing of rigging materials, bridge cables and prestressed materials in China	2	2.6%

Note: As the construction of super-long-span bridges is complex and involves significant workload, in order to meet the scheduled timetable, the construction of a single bridge may require products and services from two or more bridge cable manufacturers.

Source: *Frost & Sullivan*

Market share of players of the top five manufacturers in China in terms of total sales revenue for all types of bridge cables

Ranking	Company Name	Background	Sales Value in 2017 *(million RMB)*	Market Share in 2017
1	Competitor A	A company based in Jiangsu Province that mainly engages in the manufacturing of bridge cables in China	439.0	20.1%
2	Our Group	–	425.8	19.5%
3	Competitor H	A company based in Guangxi Province that mainly engages in the manufacturing of bridge cables and prestressed materials in China	286.2	13.1%

Ranking	Company Name	Background	Sales Value in 2017 (million RMB)	Market Share in 2017
4	Competitor B	A company based in Chongqing that mainly engages in the manufacturing of bridge cables in China	158.7	7.3%
5	Competitor D	A company listed on the Shenzhen Stock Exchange that mainly engages in the the manufacturing of rigging materials, bridge cables and prestressed materials in China	141.6	6.5%

Source: *Frost & Sullivan*

The bridge cable manufacturing industry for super-long-span bridges in China is concentrated and there are mainly five bridge cable manufacturers competing in this market. The main reason for the concentration in this market is the high entry barriers, please refer to the section headed "Industry Overview — Market Analysis for the Bridge Cable and Prestressed Materials Industry — Key Entry Barriers — Key barriers to entry for bridge cable manufacturers".

Prestressed materials market in China

The prestressed materials manufacturing industry in China is highly fragmented with approximately 600 players competing in the market, among which the top five manufacturers accounted for approximately 24.8% of the total market share in 2017 in terms of sales value.

The table below sets out the market share of the top five manufacturers in China in terms of sales value:

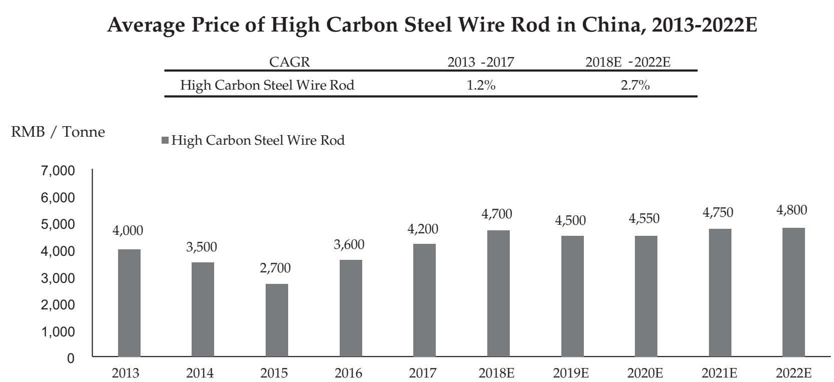
Ranking	Company Name	Background	Sales Value in 2017 (million RMB)	Market Share in 2017
1	Competitor E	A company listed on the Shanghai Stock Exchange that mainly engages in the manufacturing of prestressed materials in China	1,993.4	8.6%
2	Competitor F	A company listed on the Shanghai Stock Exchange that mainly engages in the manufacturing of prestressed materials in China	1,786.6	7.7%
3	Our Group	–	891.9	3.8%
4	Competitor G	A company listed on the Shanghai Stock Exchange that mainly engages in the manufacturing of prestressed materials in China	730.0	3.1%

Ranking	Company Name	Background	Sales Value in 2017 *(million RMB)*	Market Share in 2017
5	Competitor D	A company listed on the Shenzhen Stock Exchange that mainly engages in the manufacturing of rigging materials, bridge cables and prestressed materials in China	374.6	1.6%

Source: Frost & Sullivan

PRICING TRENDS FOR RAW MATERIALS

The majority of the raw material cost involved for both the bridge cables and prestressed materials is dependent on prices of various types of steel wire rods. The major raw material we use for our Prestressed Materials Business is high carbon steel wire rods which can be further manufactured into galvanised prestressed wires used for our Cable Business. The following table illustrates the average historical and forecasted price range of the major raw material used for our Prestressed Materials Business in China:



Source: National Bureau of Statistics of China, Frost & Sullivan

High carbon steel wire rods are the major raw material used for prestressed products. Influenced by changes in the price of steel, the price of wire rods declined from RMB4,000 per tonne in 2013 to RMB2,700 per tonne in 2015, but increased to RMB3,600 per tonne and RMB4,200 per tonne in 2016 and 2017, respectively. Going forward, it is expected that the depreciation of the RMB would lead to increasing exports of wire rods, thereby increasing demand and the price in the short run. However, the average price of wire rods is expected to decrease in 2019. According to a recent policy, "The Plan of Comprehensive Treatment Crucial Action for Air Pollution in Autumn and Winter in Beijing-Tianjin-Hebei region from 2018 and 2019" promulgated by the Ministry of Ecology and Environment of the PRC, local governments have loosened the seasonal restriction on air pollution standards to encourage industrial production due to the recent economic downturn. Given that Beijing-Tianjin-Hebei region is one of the most important iron and steel industrial bases in the PRC, it is expected that there would be an increase in production volume of high carbon steel wire rods in China in 2019, which is likely to put mild pressure in the average price of high carbon steel wire rods in 2019, according to Frost & Sullivan. In the longer term, it is expected that prices will grow steadily at a CAGR of 2.7% between 2018 and 2022 depending on the changes in the price of steel, according to Frost & Sullivan.

OVERVIEW

This section provides a summary of applicable laws, regulations or normative documents (hereinafter referred to as "Chinese regulations") which have significant influence on the Group's business in China as of the date of this prospectus, but does not provide all the Chinese regulations governing the operation of the Group in China. Such Chinese regulations may change in the future.

1. China's policies and regulations on manufacture or installation of cables and pre-stressed materials

(1) Production licence for industrial products

In accordance with the "Regulations of the People's Republic of China on the Administration of Production Licence for Industrial Products" that was promulgated by the State Council on 9 July 2005 and came into effect on 1 September 2005, as well as the "Measures for Implementation of the Regulations of the People's Republic of China on the Administration of Production Licence for Industrial Products" that was promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on 21 April 2014 and came into effect on 1 August 2014, the production licence system is enforceable on the producers of dairy products, meat products, beverages, rice, flour, edible oil, alcohol and other processing foods that are directly related to human health; the producers of electric blankets, pressure cookers, gas water heaters and other products that may endanger personal and property safety; the producers of fiscal cash registers, security currency detectors, satellite TV broadcasting ground receiving equipments, radio and television broadcasting equipments and other products that are related to financial security and communication quality and safety; the producers of safety nets, helmets, construction fasteners and other products that are designed to protect labour safety; the producers of power towers, bridge bearings, railway industrial products, hydraulic metal structures, dangerous chemicals and their packaging, containers and other products that affect the production safety and public safety; and the producers of other products that are subject to the production licence management as specified by laws and administrative regulations. Any enterprise that does not obtain a production licence is not allowed to manufacture the products listed in the catalogue. No unit or individual may sell or use the products listed in the catalogue without the production licence in the business activities.

(2) Qualification standards for construction enterprises

In accordance with the "Regulations on Qualification Management of Construction Enterprises" that was promulgated by the Ministry of Housing and Urban-Rural Construction on 22 January 2015 and entered into force on 1 March 2015, and newly revised on 13 September 2016, the enterprises are allowed to engage in the construction activities that are covered in the qualification certificate of construction enterprise under the premise that the enterprises apply for construction enterprise qualification based on their own assets, staffing, completed project performance and technical equipment and other conditions, and obtain the qualification certificate upon the review and approval. In accordance with the "Qualification Standards for Construction Enterprises" that was promulgated by the Ministry of Housing and Urban-Rural Construction on 6 November 2014, the enterprises that are eligible for special engineering contracting business can undertake the corresponding special engineering construction projects, including building rectification and movement, structural reinforcement, special equipment hoisting, special lightning protection and other projects.

(3) Outline of national medium and long-term scientific and technological development programme

In accordance with the "Outline of National Medium and Long-Term Scientific and Technological Development Programme (2006-2020)" that was promulgated by the State Council on 26 December 2005 and entered into force on the same day, the "transportation infrastructure construction and conservation technology and equipment" is classified as a focus field industry and a priority technology cluster, specifically including the "key research and development of key technology and equipment on the highly challenged transport infrastructure construction and conservation such as rail transportation, cross-bay access, offshore deepwater ports, large airports, large bridges and tunnels, integrated three-dimensional transport hubs, deep-sea oil and gas pipelines".

(4) Industrial restructuring guidance catalogue

In accordance with the "Industrial Restructuring Guidance Catalogue (2011)" that was promulgated by the National Development and Reform Commission on 16 February 2013 and came into effect on 1 May 2013, the long-span bridge construction, maintenance and repair technology application is recognised as the encouraged programme.

2. China's laws and regulations on production safety and product quality

(1) Product quality

In accordance with the "Product Quality Law of the People's Republic of China" (hereinafter referred to as the "Product Quality Law") that was promulgated by the Standing Committee of the National People's Congress on 22 February 1993 and entered into force on 1 September 1993, and newly revised on 27 August 2009, the product quality supervision authority of the State Council is the competent authority for the national product quality supervision work, and the local product quality supervision departments at and above county level are responsible for the product quality supervision work within their jurisdictions.

Both producers and sellers should establish and improve the internal product quality management system, and strictly implement the post-related quality standards, quality responsibility and the corresponding assessment methods.

The state encourages the implementation of scientific quality management methods, and takes advantage of the advanced science and technology to encourage the enterprise product quality to meet and exceed industry standards, national standards and international standards. The incentives are granted for the entities and individuals that have the significant achievements in their advanced product quality management and product quality in compliance with international advanced levels.

(2) Safe production

In accordance with the "Safety Production Law of the People's Republic of China" (hereinafter referred to as "Safety Production Law") that was promulgated by the Standing Committee of the National People's Congress on 29 June 2002 and entered into force on 1 November 2002, and newly revised on 31 August 2014, with the purpose to standardise the main laws governing the production safety supervision and management in China, the entities that engage in production and business activities in China should abide by the relevant laws and regulations (e.g. providing the production safety training and safe working environment for the employees) in order to comply with the relevant laws and regulations. Any production and business unit incapable of providing the required safe working environment is not allowed to engage in the production activities. The production and business unit that fails to comply with the above provisions or rectify the violations within the prescribed time limit is likely to be punishable by a fine or ordered to suspend production for rectification, and even is held accountable for criminal behaviours in accordance with the relevant provisions of the "Criminal Law".

3. China's laws and regulations on intellectual property rights

China has joined in and become the contracting party of the "Paris Convention for the Protection of Industrial Property", "Madrid Agreement Concerning the International Registration of Marks", "Patent Cooperation Treaty", "Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure", "Agreement on Trade-Related Aspects of Intellectual Property Rights", "World Intellectual Property Organisation Copyright Treaty" and other major intellectual property conventions.

(1) Trademark

In accordance with the "Trademark Law of the People's Republic of China" (hereinafter referred to as "Trademark Law") that was promulgated by the Standing Committee of the National People's Congress on 23 August 1982 and entered into force on 1 March 1983, and newly revised on 30 August 2013, as well as the "Regulations on Implementation of the Trademark Law of the People's Republic of China (hereinafter referred to as "Regulations on Implementation of Trademark Law") that was promulgated by the State Council on 3 August 2002 and entered into force on 15 September 2002, and newly revised on 29 April 2014, the trademarks that are approved to register by the Trademark Office are defined as the registered trademarks, including commodity trademarks, service marks and collective marks, certified trademarks, and the trademark registrants shall enjoy the exclusive right to use the trademark and be protected by law. The registered trademark is valid for ten years and is counted from the date of approval. Without the authorization of a trademark registrant, the behaviour to use the same or similar trademark as the registered trademark on the same or similar goods shall constitute a violation of the exclusive right.

(2) Patent

In accordance with the "Patent Law of the People's Republic of China" (hereinafter referred to as "Patent Law") that was promulgated by the Standing Committee of the National People's Congress on 12 March 1984 and came into force on 1 April 1985, and newly revised on 27 December 2008, the purpose is to protect the lawful rights and interests of inventions, utility models and designs owned by patentees. After the invention and utility patents are granted, the invention patents are valid for 20 years, and utility patents and design patents are valid for 10 years, and both of those are calculated from the date of application. Unless otherwise specified, no unit or individual may enforce its patent if without the permission of patentee, that is, the patented products of such patentee are not allowed to be produced, promised to sell, sold or imported; nor the patented methods of such patentee are used; nor the products directly obtained by such methods are used, promised to sell, sold or imported for the purpose of production and operation. After the appearance design patent is granted, no unit or individual may enforce its patent if without the permission of patentee, that is, the patented products designed by such patentee are not allowed to be produced, promised to sell, sold or imported for the purpose of production and operation.

(3) Domain name

In accordance with the "Regulation on Internet Domain" that was promulgated by Ministry of Industry and Information Technology of the People's Republic of China on 24 August 2017 and entered into force 1 November 2017, the "Rules on Domain Name Registration of China Internet Network Information Centre" that was promulgated by China Internet Network Information Centre on 28 May 2012 and came into effect on 29 May 2012, as well as the "Domain Name Dispute Resolution of China Internet Network Information Centre" that was promulgated by China Internet Network Information Centre on 1 September 2014 and entered into force on the same day, the domain name registration should be completed through the domain name service agencies that are established according to relevant laws and regulations, the applicants after the successful registration become the domain name holders, and the domain name disputes should be submitted to the agencies authorised by Internet Information Centre for resolution.

4. China's laws and regulations on import and export trade

(1) Registration of customs declaration entities and foreign trade operators

In accordance with the "Provisions on the Administration of Registration of Customs Declaration Entity of the People's Republic of China" that was promulgated by the General Administration of Customs on 13 March 2014 and entered into force on the same day, and newly revised on 29 May 2018, the customs declaration entities shall handle the registration at the customs office. The registration of customs declaration entities includes the registration of customs declaration enterprises and the registration of cargo import and export consigners and consignees. The customs declaration enterprises are allowed to handle the customs declaration business only with the approval of local customs office or its authorised subordinate customs office for registration. The cargo import and export consigners and consignees shall directly handle the registration formalities at the local customs office. The customs declaration entities shall, before 30 June of each year, submit the "Annual Report on Registration Information of Customs Declaration Entities" to the customs office where the registration is completed.

In accordance with the "Registration Method for Foreign Trade Operators" that was promulgated by the Ministry of Commerce on 25 June 2004 and entered into force on 1 July 2004, and newly revised on 18 August 2016, the foreign trade operators that engage in cargo import and export or technology import and export should complete the registration formalities at the Ministry of Commerce of the People's Republic of China or the agencies designated by the Ministry of Commerce.

(2) Port business licence

Our Group uses its docks to transport bridge cables to its customers and therefore are required to comply with the relevant laws and regulation in relation to ports operations. In accordance with the "Port Law of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 28 June 2003 and entered into force on 1 January 2004, and newly revised on 4 November 2017, the enterprises that engage in port operations should submit the written application to the port administration authority in order to obtain the licence for port operations, and handle the registration of industry and commerce according to law. The port operations include the operation of terminals and other port facilities, port passenger transport services, cargo handling, warehousing operations in port area, port tug services and so on.

5. China's laws and regulations on environmental protection

In accordance with the "Environmental Protection Law of the People's Republic of China" (hereinafter referred to as "Environmental Protection Law") that was promulgated by the Standing Committee of the National People's Congress on 26 December 1989 and entered into force on the same day, and newly revised on 24 April 2014, a legal framework for environmental protection shall be necessary to be established in China. The competent authority of environmental protection under the State Council shall exercise the unified supervision and administration over the work of environmental protection throughout the country; and the competent departments of environmental protection of local people's government at or above the county level shall exercise the unified supervision and administration over environmental protection work of jurisdiction.

(1) Pollution control

The prevention and control over the water pollution, air pollution, noise pollution and solid waste pollution are provided with the detailed provisions in the "Law of Prevention and Control of Water Pollution of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 28 February 2008 and came into effect on 1 June 2008, and newly revised on 27 June 2017, the "Air Pollution Control Law of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 5 September 1987 and entered into force on 1 June 1988, and newly revised on 26 October 2018, the "Environmental Noise Pollution Prevention Law of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 29 October 1996 and entered into force on 1 March 1997, and the "Environmental Pollution Prevention and Control Law of Solid Wastes of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 29 December 2004 and entered into force on 1 April 2005, and newly revised on 7 November 2016.

(2) Environmental protection of construction projects

In accordance with the "Environmental Impact Assessment Law of the People's Republic of China" that was promulgated by the Standing Committee of the National People's Congress on 28 October 2002 and came into effect on 1 September 2003, and newly revised on 2 July 2016, the "Environmental Protection Management Regulations for Construction Projects" that was promulgated by the State Council on 29 November 1998 and entered into force on the same day, and newly revised on 16 July 2017, the "Construction Project Environmental Protection Acceptance Management Measures" that was promulgated by the State Environmental Protection Administration on 27 December 2001 and entered into force on 1 February 2002, and newly revised on 22 December 2010, and the "Construction Project Environmental Impact Assessment Classification Management Catalogue" that was promulgated by the Ministry of Environmental Protection on 9 April 2015 and entered into force on 1 June 2015, and newly revised on 29 June 2017, the enterprises that plan to engage in the construction projects should prepare the environmental impact report, environmental impact report form or environmental impact registration form according to the foregoing specific stipulations. After the completion of construction projects, the enterprises should apply for the acceptance on environmental protection facilities. The construction projects can be put into formal production or operation only with the approval of relevant environmental protection facilities.

6. China's relevant laws and regulations on taxes

(1) Corporate income tax

In accordance with the "Corporate Income Tax Law of the People's Republic of China" (hereinafter referred to as "Corporate Income Tax Law") that was promulgated by the National People's Congress on 16 March 2007 and entered into force on 1 January 2008, and newly revised on 24 February 2017, and the "Regulations on Implementation of Corporate Income Tax Law of the People's Republic of China" (hereinafter referred to as "Regulations on Implementation of Corporate Income Tax Law") that was promulgated by the State Council on 6 December 2007 and entered into force on 1 January 2018 the enterprises that are established in China according to laws or are established according to foreign (regional) laws but are actually subject to management in China should be bound to pay the corporate income tax at 25%. In addition, companies are required to prepay tax every month or quarter based on their calculation on their income tax payable for that corresponding period. As regards important high-tech enterprises necessary to be supported by the state, the corporate income tax shall be levied at the reduced tax rate of 15%. Our main operating subsidiaries enjoy a reduced tax rate of 15% during the Track Record Period.

In accordance with the "Notice on Amending and Issuing the Measures for Determination and Administration of High-tech Enterprises" that was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 29 January 2016 and entered into force on 1 January 2016, the high-tech enterprises refer to the resident enterprises that are registered in the territory of China (excluding Hong Kong, Macao and Taiwan) and engage in the ongoing research and development and technological achievement transformation within the "key high-tech areas with national supports" to form the core independent intellectual property rights, and carry out business activities on this basis. The high-tech enterprises that are identified according to the aforesaid conditions may enjoy the tax preferential policies in accordance with the "Enterprise Income Tax Law" and its "Regulations on Implementation of Enterprise Income Tax Law", the "Tax Administration Law of the People's Republic of China" (hereinafter referred to as "Tax Administration Law") and "Regulations on Implementation of Tax Administration Law of the People's Republic of China" (hereinafter referred to as "Regulations on Implementation of Tax Administration Law") and other relevant provisions. After obtaining the qualification of high-tech enterprise, the enterprises shall enjoy the tax benefits from the year when the certificate of high-tech enterprise is issued, and may handle the preferential tax formalities at the competent tax authorities in accordance with the provisions of Article 4 of these Measures. The qualification for the identified high-tech enterprises is valid for three years from the date of issuance of certificate.

In accordance with the "Measures for the Handling of Matters concerning Preferential Enterprise Income Tax Policies" that was promulgated by the State Administration of Taxation on 25 April 2018 and entered into force on the same day, the enterprises shall determine whether they meet the conditions stipulated in the preferential policies of tax at their discretion based on business circumstance and relevant tax laws, and those are eligible shall calculate deductions of their own in terms of the time listed on the Catalogue, and enjoy the tax preference through filling enterprise income tax return. And the enterprises shall collect and keep relevant materials for review.

In accordance with the "Measures for the Administration of Final Settlement and Payment of Enterprise Income Tax" that was promulgated by the State Administration of Taxation on 16 April 2009 and entered into force on 1 January 2009, and newly revised on 15 June 2018, enterprises are required to calculate the annual income tax payable, file their income tax assessment, and settle or claim the difference between the annual tax payable and any prepaid tax to/from the tax authority based on the tax authority's final tax assessment amount by the end of May after the end of each financial year.

In accordance with the "Notice on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses" that was promulgated by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on 2 November 2015 and entered into force on 1 January 2016, and newly revised on 25 June 2018, part of research and development expenses of enterprises could have weighted tax deduction when satisfy certain criteria.

(2) Value-added Tax

In accordance with the "Provisional Regulations on Value-added Tax of the People's Republic of China" (hereinafter referred to as "Provisional Regulations on Value-added Tax") that was promulgated by the State Council on 10 November 2008 and came into effect on 1 January 2009, and newly revised on 19 November 2017, and the "Rules on Implementation of Provisional Regulations on Value-added Tax of the People's Republic of China" (hereinafter referred to as "Rules on Implementation of Provisional Regulations on Value-added Tax") that was jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 15 December 2008 and entered into force on 1 January 2009, and newly revised on 28 October 2011, the entities and individuals that sell goods or provide processing, repair and repair services and import goods in the territory of China shall be classified into the taxpayers of value-added tax, and shall pay the value-added tax. The tax rate of 11% is compulsory for the taxpayers who provide transport, postal, basic telecommunications, construction, real estate leasing services, sell real estates, transfer land use rights, and sell or import cereals and other agricultural products, edible vegetable oil, edible salt, tap water, heating, air conditioning, hot water, gas, liquefied petroleum gas, natural gas, dimethyl ether, biogas, residential coal products, books, newspapers, magazines, audio and video products, E-journal, feed, fertiliser, pesticide, agricultural machinery and other goods stipulated by the State Council. The tax rate is 0% for the taxpayers who export goods, unless otherwise provided by the State Council. The tax rate is 0% for domestic entities and individuals who engage in cross-border sales of service and intangible assets within the scope prescribed by the State Council. The tax rate of 17% is compulsory for the taxpayers who sell or import goods other than the above items, or provide processing, repair and repair services. The tax rate of 6% is compulsory for the taxpayers who sell service or intangible assets other than the above items (export of goods is excluded).

In accordance with the "Notice of Taxation on Adjusting Value-added Tax Rates" that was jointly promulgated by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and entered into force on 1 May 2018, the tax rates of 17% and 11% applicable to any taxpayer's Value-added Tax taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

(3) Urban maintenance and construction tax

In accordance with the "Provisional Regulations on Urban Maintenance and Construction Tax of the People's Republic of China" that was promulgated by the State Council on 8 February 1985 and entered into force on the same day, and newly revised on 8 January 2011, and the "Notice of the State Council on the Unification of the System of Urban Maintenance and Construction Tax and Education Surcharge for Domestic and Foreign Enterprises and Individuals" that was promulgated by the State Council on 18 October 2010 and entered into force on 1 December 2010, the entities and individuals that are required to pay the consumption tax, value-added tax and business tax should pay the urban maintenance and construction tax. The tax rate is 7% for the taxpayers who are located in the urban areas, the tax rate is 5% for the taxpayers who are located in the county and town, and tax rate is 1% for the taxpayers who are not located in the urban area, county or town. Our subsidiaries are subject to the urban maintenance and construction tax with tax rates ranges from 5% to 7%.

(4) Stamp duty

In accordance with the "Provisional Regulations on Stamp Duty of the People's Republic of China" (hereinafter referred to as "Provisional Regulations on Stamp Duty") that was promulgated by the State Council on 6 August 1988 and entered into force on 8 October 1988, and newly revised on 8 January 2011, and the "Rules for Implementation of Provisional Regulations on Stamp Duty of the People's Republic of China" (hereinafter referred to as "Rules for Implementation of Provisional Regulations on Stamp Duty") that was promulgated by the Ministry of Finance on 29 September 1988 and came into force on 1 October 1988, and newly revised on 5 November 2004, the stamp duty is compulsory for the various domestic enterprises, public institutions, authorities, groups and troops as well as Sino-foreign joint ventures, cooperative enterprises, foreign-funded enterprises, foreign companies and other economic organisations and their institutions in China, and other entities and individuals in the territory of China that are involved in establishment, purchase and sale, processing contracting, construction contracting, property leasing, cargo transport, warehousing, borrowing, property insurance and technical contracts, or have the contract certificate, property transfer data, business books, rights, licence and other taxation vouchers recognised by the Ministry of Finance. The stamp duty is required for the aforesaid vouchers that are established in or outside China according to the provisions. The required stamp duty may be fully deducted from the consolidated industrial and commercial taxes that are paid by Chinese-foreign equity joint ventures, cooperative enterprises, foreign-funded enterprises, foreign companies and other economic organisations.

For the years ended 31 December 2016, 2017 and 2018, the effective tax rate was 11.7%, 12.1% and 13.8%.

7. China's laws and regulations on labours

(1) Labour relations

In accordance with the "Labour Contract Law of the People's Republic of China" (hereinafter referred to as "Labour Contract Law") that was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and entered into force on 1 January 2008, and newly revised on 28 December 2012, these provisions are enforceable for the enterprises, individual economic organisations, private non-enterprise entities and other organisations in the territory of China to establish the labour relations with workers, and to enter, fulfil, change, cancel or terminate the labour contracts, and also specifically specify the terms and conditions relating to the labour contracts signed by the forgoing two parties. The maximum working hours per day and every week are specified and the minimum wage is set out in the "Labour Contract Law".

(2) Social insurance and housing provident fund

In accordance with the "Social Insurance Law of the People's Republic of China" that was promulgated by the Standing Committee of National People's Congress on 28 October 2010 and entered into force on 1 July 2011, all the employees are required to be covered in the basic pension insurance, basic medical insurance and unemployment insurance programmes, and the related insurance premiums must be paid by the companies and employees. All the employees are required to be covered in the work injury insurance and maternity insurance programmes, and the related insurance premiums must be paid by the companies. The companies must complete the registration at the local social security authority and must pay the social insurance premiums in full and on time. If the company fails to pay social insurance premiums in full and on time, the social insurance premium collection agency shall order such company to pay or supplement within the time limit, and the overdue fine of 0.05% shall be paid on a daily basis from the date of arrears. If the overdue payment is made, the fine that is twice to three times of the owed payment may be imposed by the relevant administrative authority.

In accordance with the "Regulations on Housing Provident Fund Management" that was promulgated by the State Council on 3 April 1999 and entered into force on the same day, and newly revised on 24 March 2002, the companies must complete the registration at the competent housing provident fund management centre, and open the special bank account of housing provident fund for the employees. The companies must also pay the housing provident funds for the employees on time. If the companies fail to apply for housing provident fund deposit registration or fail to open the special bank account of housing provident fund for the employees, the housing provident fund management centre should order such companies to handle within a prescribed time limit. If the companies fail to do so, such companies shall be fined at not less than RMB10,000 and not more than RMB50,000. If the companies fail to pay or fully pay the housing provident fund, the housing provident fund management centre shall order such companies to pay within a prescribed time limit. If the overdue payment is made, the management centre may apply to the people's court for compulsory execution.

8. China's laws and regulations on foreign investment

In accordance with the "Rules for Guidance of Foreign Investment Orientation" that was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, the "Foreign Investment Industry Guidance Catalogue" that was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2017 and entered into force on 28 July 2017, and the "Special Administrative Measures (Negative List) for the Access of Foreign Investment" that was jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2018 and entered into force on 28 July 2018, the foreign investors in China should be subject to their supervision. The foreign investment projects are divided into three categories, including encouraged category, permitted category, and the negative list. The foreign investment projects other than encouraged category, or category in the negative list are classified into the permitted category. The foreign investment projects under permitted category are not included in the "Foreign Investment Industry Guidance Catalogue".

The "Company Law of the People's Republic of China", which was promulgated by the Standing Committee of the National People's Congress on 29 December 1992 and came into effect on 1 July 1994, and newly revised on 26 October 2018, is the main laws and regulations governing the establishment, operation and management of corporate entities in China. It also applies to foreign-invested entities, however, where laws on foreign investment have other stipulations, such stipulations shall prevail.

The "Foreign-Funded Enterprise Law of the People's Republic of China (2016 Revision)" (implemented on 12 April 1986 and revised in 2000 and 2016) and the "Rules for Implementation of Foreign-Funded Enterprise Law of the People's Republic of China (2014 Revision)" (implemented on 12 December 1990 and revised in 2001 and 2014) are the main laws and regulations governing the foreign-funded enterprises in China that are established by the foreign companies and other economic organisations or individuals. These regulations make the specific provisions on the incorporation of foreign-invested enterprises, the changes in the registered capital, shareholders, company forms, merger and division after the establishment of foreign-invested enterprises, and the dissolution and termination of foreign-invested enterprises.

In accordance with the "Interim Administrative Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" that was promulgated by the Ministry of Commerce on 8 October 2016 and came into effect on the same day, and newly revised on 30 June 2018, if the establishments and changes of foreign-invested enterprises do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the enterprises shall go through filling procedures instead of the procedures for approvals. However, if the establishment and changes of foreign-invested enterprises fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the entities shall go through procedures for approvals according to relevant laws and regulations governing foreign investment.

9. China's laws and regulations on foreign exchange administration

(1) Foreign exchange administration

The "Regulations on Foreign Exchange Control of the People's Republic of China" (hereinafter referred to as "Regulations on Foreign Exchange Control") that was promulgated by the State Council on 29 January 1996 and entered into force on 1 April 1996, and newly revised on 5 August 2008 is the important legal basis for supervising and regulating foreign exchange by relevant Chinese institutions. In accordance with the "Regulations on Foreign Exchange Control", the RMB is freely convertible to cover the current account items (such as foreign exchange transactions and dividends related to goods, trades and services) under the premise of real and legitimate basis for transaction; but the RMB is not allowed to be freely convertible to cover the capital account items (such as equity transfer, direct investment, securities investment, derivative products or loans) if without the prior approval of the State Administration of Foreign Exchange.

In accordance with the "Circular on Improving the Operations of Foreign Exchange Capital Payment Settlement Management for Foreign-Funded Enterprises" (hereinafter referred to as Circular No.142) that was promulgated by the State Administration of Foreign Exchange on 29 August 2008 and entered into force on the same day, the RMB funds from foreign exchange settlement of foreign-funded enterprises shall be used within the scope of business approved by the governmental approval authority. Unless otherwise stipulated, the RMB funds from foreign exchange settlement shall not be used for domestic equity investment. Later, the "Circular on Reforming the Management of Foreign Exchange Settlement of Foreign-Funded Enterprises" (hereinafter referred to as "Circular No.19") that was promulgated by the State Administration of Foreign Exchange on 30 March 2015 and entered into force on 1 June 2015 shall replace the Circular No.142 from the date of its entry into force, and some adjustments in the Circular No.19 have been made for a number of provisions relating to foreign exchange capital settlement of foreign-funded enterprises, and a number of foreign exchange restrictions as specified in the Circular No.142 have been cancelled. According to the relevant provisions of the Circular No.19, the foreign exchange settlement of foreign-funded enterprises is subject to the supervision of foreign exchange settlement policy. However, the Circular No.19 also reiterates that the foreign exchange settlement only applies to various purposes within the scope of business of foreign-funded enterprises.

(2) Circular No. 37

The "Circular of the State Administration of Foreign Exchange on the Relevant Issues Concerning the Foreign Investment and Financing of Domestic Residents through Companies for Special Purposes and Administration of Foreign Exchange of Return Investment" (hereinafter referred to as "Circular No.37") that was promulgated by the State Administration of Foreign Exchange on 4 July 2014 and entered into force on the same day shall replace the "Circular No.75 of the State Administration of Foreign Exchange" that was promulgated by the State Administration of Foreign Exchange on 21 October 2005. The Circular No.37 stipulates that the registration should be completed at the State Administration of Foreign Exchange and its branches by the domestic residents who directly set up or indirectly control the overseas enterprises by taking advantage of their legally-held domestic corporate assets or interests or their legally-held overseas assets or interests for the purpose of investing or financing. The Circular No.37 further stipulates that the registration for overseas investment foreign exchange change formalities should be completed at the State Administration of Foreign Exchange in a timely manner, and such changes shall include the change of basic information such as individual shareholder's name and business period of the domestic residents in the companies that have completed the registration of overseas special purposes or the change of individual capital increase, decrease, equity transfer or replacement, merger or division and other important matters of domestic residents in such companies.

(3) Circular No. 13

In accordance with the "Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policy on Foreign Exchange Administration of Direct Investment" (hereinafter referred to as "Circular No.13") that was promulgated by the State Administration of Foreign Exchange on 13 February 2015 and entered into force on 1 June 2015, in order to further deepen the reform of foreign exchange management of capital projects, promote and facilitate the operation of cross-border investment funds, regulate the direct investment in foreign exchange management business, and improve the management efficiency, the banks shall be responsible for the direct approval and operation relating to the registration of foreign exchange under domestic direct investment and the registration of foreign exchange under foreign direct investment, while the State Administration of Foreign Exchange and its branches shall implement the indirect supervision on the registration of foreign exchange under direct investment through the banks.

10. China's laws and regulations on properties

The "Urban Real Estate Administration Law of the People's Republic of China" (promulgated on 5 July 1994 and came into effect on 1 January 1995, and newly revised on 27 August 2009) and the "Measures for Administration of Leases of Commodity Properties" (promulgated on 1 December 2010 and came into effect on 1 February 2011) stipulate that parties to a building lease should enter into a written lease and register the lease with the relevant real estate administration authority. Parties will be subject to fines if they fail to register information set forth above even after being ordered by the relevant authorities.

OVERVIEW

Our Group engages in two business segments, the Prestressed Materials Business through our operating subsidiaries Ossen Innovation Materials and Ossen (Jiujiang) under the brand of "Ossen" and the Cable Business through our operating subsidiaries Shanghai Pujiang, Zhejiang Pujiang and Shanghai Pujiang Cable Installation Engineering under the brand of "Pujiang Cable".

Our Prestressed Materials Business involves the manufacture and supply of prestressed materials for infrastructure construction. We have over 14 years of experience in the Prestressed Materials Business.

Our Cable Business involves the manufacture and supply of cables principally for construction of bridges but also for use in constructing various architectural structures such as stadiums and exhibition centres. We have over 8 years of experience in the Cable Business under the management team led by Dr. Tang.

Prestressed Materials Business

The history of our Prestressed Materials Business can be traced back to 2004 when Ossen Innovation Materials was incorporated in the PRC as a sino-foreign joint venture limited liability company held as to 75% by Shanghai Ossen Investment (a company ultimately controlled by Dr. Tang) and as to 25% by Ossen Group (Asia) (a company then ultimately controlled by Dr. Tang). Dr. Tang had previous experience in the steel industry, including as a deputy director in Baosteel Group Shanghai Ergang Co., Ltd, and as a deputy head of the Enterprise Administrative Division of the Shanghai Municipal Metallurgical Industry Bureau. Building on that experience, he commenced his own business in this industry with the establishment of Ossen Innovation Materials. Ossen Innovation Materials operates our production facility in Maanshan.

Subsequently we established Ossen (Jiujiang) in 2005. It was then a sino-foreign equity joint venture held as to approximately 66.7% and 33.3% by Ossen Group PRC (a company ultimately controlled by Dr. Tang) and Ossen Group (Asia) (a company then ultimately controlled by Dr. Tang), respectively. Ossen (Jiujiang) operates our Jiujiang production facility.

Our Prestressed Materials Business then underwent a reorganisation with Ossen Innovation (a company ultimately controlled by Dr. Tang) becoming the intermediate holding company of Ossen Innovation Materials and Ossen (Jiujiang). On 21 December 2010, Ossen Innovation issued and listed ADSs on NASDAQ in the United States (stock code: OSN).

For more details on the corporate history of Ossen Innovation Materials and Ossen (Jiujiang), please refer to the section headed "History, Reorganisation and Group Structure — Our Major Operating Subsidiaries".

Cable Business

The history of our Cable Business can be traced back to 1989 when the predecessor of Shanghai Pujiang, a state and collective jointly-owned enterprise (全民與集體聯營企業) named Shanghai Pujiang Cable Factory* (上海浦江纜索廠) was established in the PRC. Shanghai Pujiang Cable Factory* (上海浦江纜索廠), was converted into a PRC limited liability company and renamed as Shanghai Pujiang Cable Company Limited* (上海浦江纜索有限公司) in 1994.

Shanghai Pujiang Cable Company Limited* (上海浦江纜索有限公司) was further converted into a joint stock company with limited liability in 2001, and was re-named as Shanghai Pujiang Cable Co., Ltd.* (上海浦江纜索股份有限公司) ("**Shanghai Pujiang**"). At that time, Shanghai Pujiang had nine promoters, five of whom were Independent Third Parties and four of whom are management members of our Group, namely Mr. Luo Guoqiang (羅國強), Mr. Xu Haoming (徐浩明), and Mr. Li Gang (李剛), who are senior management of our Group; and Mr. Yan Haiqing (嚴海青), who is a director of Shanghai Pujiang and Zhejiang Pujiang. For further details on Mr. Luo Guoqiang (羅國強), Mr. Xu Haoming (徐浩明), and Mr. Li Gang (李剛), please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

Following several shareholding consolidations and immediately before Dr. Tang acquired control, the above management members of our Group ceased to have any interest in Shanghai Pujiang, and Shanghai Pujiang was then wholly owned by two shareholders who were Independent Third Parties. Dr Tang, through Ossen Group PRC (a company ultimately controlled by Dr. Tang), acquired Shanghai Pujiang in 2010. Following on from the success of our Prestressed Materials Business which Dr. Tang had established in 2004 and subsequently successfully listed on the NASDAQ Capital Market, Dr. Tang decided to further expand his business in the construction materials industry. In particular, Dr. Tang considered that there were positive development prospects in the bridge construction industry at the time. Accordingly, he decided to acquire Shanghai Pujiang, which was by then an established company in that industry with a long trading record.

In 2006 Zhejiang Pujiang was established in the PRC as a wholly owned subsidiary of Shanghai Pujiang. Zhejiang Pujiang operates our production facility in Xitang.

For more details on the corporate history of Shanghai Pujiang and Zhejiang Pujiang, please refer to the section headed "History, Reorganisation and Group Structure — Our Major Operating Subsidiaries".

MILESTONES

Set forth below are the key corporate milestones of our Group since its establishment:

Year	Key Corporate Milestones	
	Cable Business	*Prestressed Materials Business*
1989	Shanghai Pujiang Cable Factory* (上海浦江纜索廠), the predecessor company of Shanghai Pujiang, was established	
1991	Nanpu Bridge* (南浦大橋), China's first super-long-span cable-stayed bridge, for which we supplied stay cables, was completed. The Nanpu Bridge project was awarded the First Class Prize of The State Scientific and Technological Progress* (國家級科學技術進步獎一等獎) by The State Scientific and Technological Commission* (國家科學技術委員會) in 1995.	
1999	The Jiangyin Yangtze River Bridge* (江陰長江大橋) the first suspension bridge with main span of 1,385 metres in China, for which we supplied suspension cables, was completed. This project was awarded with the International Eugene-Figo International Award by International Bridge Conference in the field of suspension bridges in 2002 which was the first time a China project won such award.	
2001	The Nanjing No.2 Yangtze River Bridge* (南京長江第二大橋), for which we supplied suspension cables, was completed. The project was awarded the 3rd Zhan Tianyou Civil Construction Award* (第3屆中國土木工程詹天佑大獎)	
2004		Ossen Innovation Materials, the operating subsidiary engaged in the Prestressed Materials Business was incorporated in the PRC and our Maanshan facility commenced production.

Year	Key Corporate Milestones	
	Cable Business	*Prestressed Materials Business*
2005	The Nanjing No.3 Yangtze River Bridge* (南京長江第三大橋), for which we supplied suspension cables, was completed. The project was awarded the 7th Zhan Tianyou Civil Construction Award* (第7屆中國土木工程詹天佑大獎).	Our Jiujiang facility commenced production.
2007		We were awarded the 3rd Chinese Excellent Corporate Citizenship (第三屆中國優秀企業公民) by Corporate Citizenship Committee of China Social Work Association* (中國社會工作協會企業公民委員會).
2009	The Xihoumen Bridge* (西堠門大橋), a suspension bridge with the longest main span in China among all completed suspension bridges at the time, for which we supplied stay cables, was completed. In 2015, the project was awarded the China Highway and Transportation's First Class Prize for Science and Technology* (中國公路學會科學技術獎一等獎). Our Xitang facility commenced production.	We were awarded the Foreign Invested Technologically Advanced Enterprise* (外商投資先進技術企業) by The Bureau of Commerce of Anhui Province (安徽省商務局).
2010	Dr. Tang acquired a controlling interest in Shanghai Pujiang.	Ossen Innovation issued and listed ADSs on NASDAQ Global Market in the United States of America.
2013	The world's largest self-anchored suspension bridge at the time, the United States Oakland Bay Bridge* (美國奧克蘭海灣橋), for which we supplied PPWS that makes up its main suspension cables, was completed.	We were awarded the Second Class Prize of The Scientific and Technological Progress of Jiangxi Province * (江西省科技進步二等獎) by People's Government of Jiangxi Province (江西省人民政府).

Year	Key Corporate Milestones	
	Cable Business	*Prestressed Materials Business*
2015	We were awarded the Shanghai Famous Brand Certificate* (上海名牌證書) by Shanghai Brand Recommendation Committee* (上海市名牌推薦委員會) and the Shanghai Famous Trademark Certificate* (上海市著名商標證書) by The Shanghai Administration for Industrial and Commerce (上海市工商行政管理局). Nizhou Section* (泥洲段) of the Humen No.2 Bridge* (虎門二橋) of which we were awarded the tender for the supply of suspension cables for its construction, was the longest main-span suspension bridge in China at the time.	We were awarded the Certificate of Key New Product in the Jianxi Province* (江西省重點新產品證書) by Jiangxi Province Science and Technology Department of Jiangxi Province* (江西省科學技術廳).
2017		We were awarded the Technology Invention Award of Jiangxi Province* (江西省技術發明獎) by People's Government of Jiangxi Province (江西省人民政府).
2018	We were awarded the tender for the supply of suspension cables for the 1915 Canakkale Bridge in Turkey, which is the world's longest main span suspension bridge planned as of the date of this prospectus. The bridge has a main span of 2,023 metres.	

OUR MAJOR OPERATING SUBSIDIARIES

Below set forth the major changes in shareholding of our major operating subsidiaries which made a material contribution to our Group during the Track Record Period.

Shanghai Pujiang

Shanghai Pujiang is one of our major operating subsidiaries in the Cable Business and engages in the sale and supply of cables for construction of bridges and cables for use in constructing various architectural structures.

Shanghai Pujiang Cable Company Limited* (上海浦江纜索有限公司) was established in the PRC as a limited liability company on 16 August 1994 upon the reorganisation of its predecessor Shanghai Pujiang Cable Factory* (上海浦江纜索廠), which was established in the PRC and commenced business on 7 December 1989. On 8 June 2001, Shanghai Pujiang Cable Company Limited (上海浦江纜索有限公司) was converted into a joint stock company with limited liability, and was re-named as Shanghai Pujiang Cable Co., Ltd.* (上海浦江纜索股份有限公司) (i.e. Shanghai Pujiang).

The initial registered capital of Shanghai Pujiang Cable Company Limited* (上海浦江纜索有限公司) when it was incorporated was RMB10.2 million. After several rounds of capital injections, the registered share capital of Shanghai Pujiang as at the Latest Practicable Date was RMB90 million.

At the time of its conversion into a joint stock company in 2001, the share capital of Shanghai Pujiang was registered in the name of five Independent Third Parties as to approximately 95.05% and in the name of the management members of our Group, namely Mr. Luo Guoqiang (羅國強), Mr. Xu Haoming (徐浩明), Mr. Li Gang (李剛) and Mr. Yan Haiqing (嚴海青) as to approximately 1.44%, 1.27%, 1.27% and 0.97% respectively. The shares registered in the names of the management members were held for themselves and on behalf of certain employees. Following several shareholding consolidations and immediately before Dr. Tang acquired control, the above management members and employees of our Group ceased to have any interest in Shanghai Pujiang, and Shanghai Pujiang was then owned by two shareholders who were Independent Third Parties as to 70% and 30%.

Acquisition of control by Dr. Tang

Dr. Tang acquired control of Shanghai Pujiang in 2010 as he considered there were positive development prospects for the bridge construction industry. In 2010, Ossen Group PRC (a company ultimately controlled by Dr. Tang) entered into equity transfer agreements with the then shareholders of Shanghai Pujiang pursuant to which Ossen Group PRC acquired the entire issued share capital of Shanghai Pujiang, for an aggregate consideration of RMB154 million and RMB66 million, respectively. The acquisitions from each of the sellers occurred in two stages in September 2010 and December 2010. The consideration for the transfers were determined based on arm's length negotiations between the parties and were fully settled by 31 December 2010.

Ossen Group PRC is a limited liability company incorporated in the PRC on 1 April 2004 and is owned by Shanghai Ossen Investment, Innovation Material Research Institute, previously known as Shanghai Ossen Material Research Institute Limited Company* (上海奧盛材料研究所有限公司), and Dr. Tang as to 40%, 30% and 30%, respectively. Ossen Group PRC, Shanghai Ossen Investment and Innovation Material Research Institute are all ultimately controlled by Dr. Tang. For more details on Ossen Group PRC, Shanghai Ossen Investment and Innovation Material Research Institute, please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus.

Following the first acquisition by Ossen Group PRC, Ossen Group PRC transferred a 0.5% shareholding to Dr. Tang, in order to maintain the minimum requirement of having two shareholders for a joint stock company. The consideration for the transfer was RMB1.15 million, which was fully settled on 29 December 2011.

After completion of the above share transfers, the shares of Shanghai Pujiang were owned as to approximately 99.5% by Ossen Group PRC and 0.5% by Dr. Tang.

Participation by other investors

Following the acquisition of control by Dr. Tang, Shanghai Pujiang had initially proposed a listing on the Shanghai Stock Exchange. In contemplation of that proposed listing on the Shanghai Stock Exchange, various investors had acquired interests in Shanghai Pujiang.

On 1 December 2011, Ms. Zhang Mei (張梅), an Independent Third Party, and Ossen Group PRC entered into an equity transfer agreement, pursuant to which Ms. Zhang Mei (張梅) acquired a 10% shareholding in Shanghai Pujiang from Ossen Group PRC for a consideration of RMB38 million, which was determined based on arm's length negotiation between the parties and was fully settled on 23 December 2011.

On 1 March 2012, Kunshan Zhongke, Ossen Group PRC and Shanghai Pujiang entered into an equity transfer agreement, pursuant to which Kunshan Zhongke acquired a 10% shareholding in Shanghai Pujiang from Ossen Group PRC for a consideration of RMB38 million, which was determined based on arm's length negotiation between the parties and was fully settled on 8 March 2012.

Kunshan Zhongke was a limited liability company established in the PRC and mainly engaged in the provision of investment, management and advisory services related to venture capital business. It was owned by Independent Third Parties.

On 1 July 2013, Mr. Wang, Ossen Group PRC and Shanghai Pujiang entered into an equity transfer agreement, pursuant to which Mr. Wang acquired a 10% shareholding in Shanghai Pujiang from Ossen Group PRC for a consideration of RMB42 million, which was determined based on arm's length negotiation between the parties and was fully settled on 26 August 2013.

On 10 July 2013, Mr. Lu, Ms. Zhang Mei (張梅) and Shanghai Pujiang entered into an equity transfer agreement, pursuant to which Mr. Lu acquired the 10% equity interest in Shanghai Pujiang held by Ms. Zhang Mei (張梅) for a consideration of RMB42 million. To the best knowledge of the Directors, the consideration was fully settled.

Each of Mr. Lu and Mr. Wang were individual investors and Independent Third Parties prior to their investment in our Group. They were acquaintances of Dr. Tang whom he had previously met through business interactions.

Immediately after the above instances of share transfers and prior to the Reorganisation, the shares in Shanghai Pujiang were owned by Ossen Group PRC, Kunshan Zhongke, Mr. Wang, Mr. Lu and Dr. Tang as to 69.5%, 10%, 10%, 10% and 0.5%, respectively.

Zhejiang Pujiang

Zhejiang Pujiang is one of our major operating subsidiaries in the Cable Business and engages in the manufacture and supply of bridge cables and various construction materials. Zhejiang Pujiang operates our Xitang production facility.

Zhejiang Pujiang was established in the PRC as a limited liability company on 13 April 2006 and commenced business on 13 April 2006. Zhejiang Pujiang is and has been since establishment a wholly owned subsidiary of Shanghai Pujiang.

The initial registered capital of Zhejiang Pujiang when it was incorporated was RMB25 million. After several rounds of capital injections, the registered capital of Shanghai Pujiang as at the Latest Practicable Date was RMB125 million.

Ossen Innovation Materials

Ossen Innovation Materials is one of our major operating subsidiaries in the Prestressed Materials Business and engages in the manufacture and supply of prestressed materials for infrastructure construction. Ossen Innovation Materials operates our production facility in Maanshan.

Ossen Innovation Materials, previously known as Ossen (MaanShan) Steel Wire & Cable Co., Ltd.* (奧盛(馬鞍山)鋼綫鋼纜有限公司), was incorporated in the PRC as a sino-foreign joint venture limited liability company held as to 75% by Shanghai Ossen Investment (a company ultimately controlled by Dr. Tang) and as to 25% by Ossen Group (Asia) (a company then ultimately controlled by Dr. Tang), and commenced business on 27 October 2004. It was converted into a joint stock company with limited liability, and was renamed as Ossen Innovation Materials Co. Ltd* (奧盛新材料股份有限公司) on 8 May 2008.

The initial registered capital of Ossen Innovation Materials when it was incorporated was RMB10 million. After several rounds of capital injections, the registered share capital of Ossen Innovation Material as at the Latest Practicable Date was RMB75 million.

At the time of its conversion into a joint stock company, the share capital of Ossen Innovation Materials was owned by as to approximately 81% by Ossen Group (Asia) and as to approximately 19% by four shareholders who are Independent Third Parties. In 2012, one of these shareholders decided to realise its investment in Ossen Innovation Materials. As such the exiting shareholder transferred its 3% equity interest to Ossen Group PRC pursuant to an equity transfer agreement dated 9 April 2012 at a consideration of RMB6.6 million. The consideration was determined based on arm's length negotiation between the parties and was fully settled in May 2012.

Immediately before and after the Reorganisation and as at the Latest Practicable Date, Ossen Innovation Materials was owned as to approximately 81% by Ossen Group (Asia), as to approximately 16% by three shareholders who are Independent Third Parties and as to approximately 3% by Ossen Group PRC (a company ultimately controlled by Dr. Tang).

Ossen (Jiujiang)

Ossen (Jiujiang) is one of our major operating subsidiaries in the Prestressed Materials Business and engages in the manufacture and supply of prestressed materials for infrastructure construction. Ossen (Jiujiang) operates our production facility in Jiujiang.

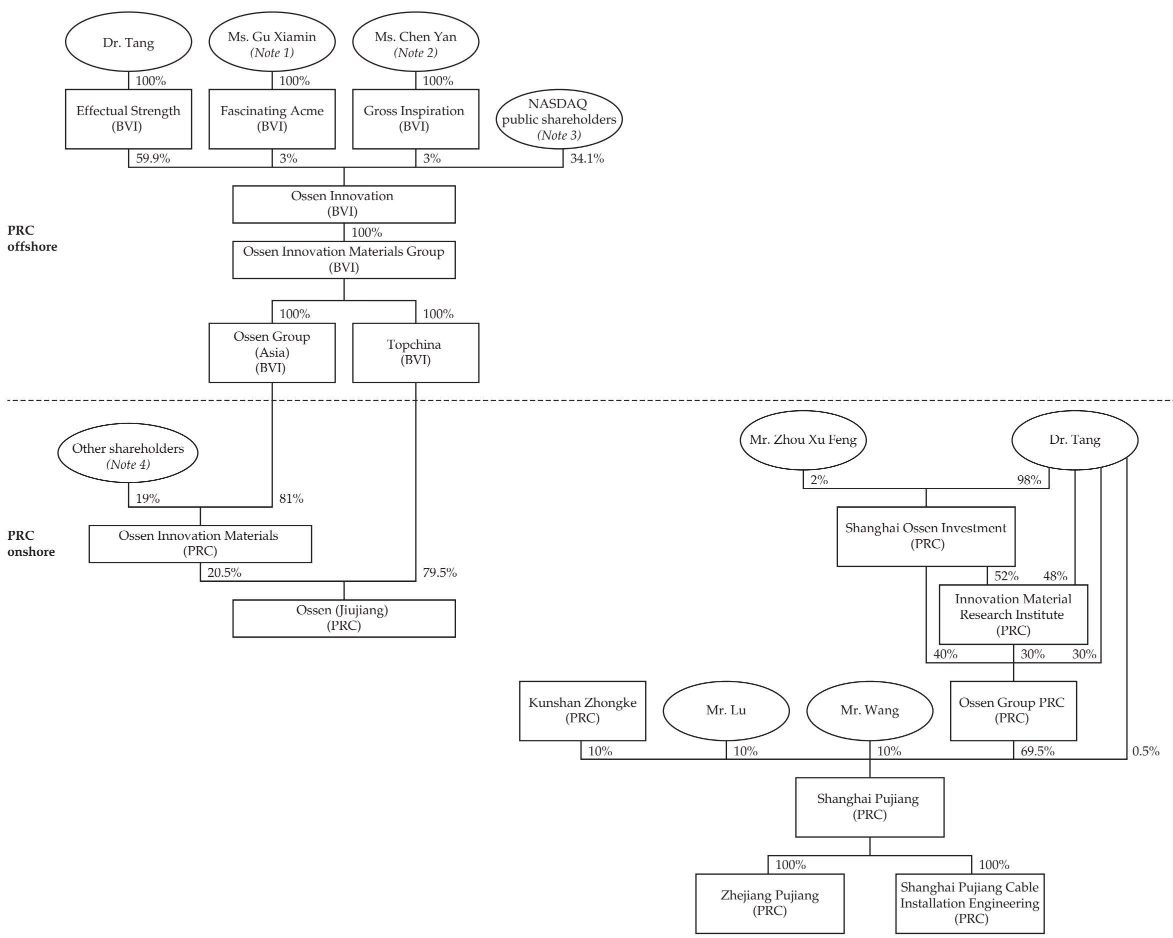
Ossen (Jiujiang), previously known as Ossen (Jiujiang) Steel Wire & Cable Co., Ltd.* (奧盛鋼綫鋼纜有限公司), was incorporated in the PRC as a sino-foreign equity joint venture held as to approximately 66.7% and 33.3% by Ossen Group PRC (a company ultimately controlled by Dr. Tang) and Ossen Group (Asia) (a company then ultimately controlled by Dr. Tang), respectively. It commenced business on 12 April 2005.

The initial registered capital of Ossen (Jiujiang) when it was incorporated was RMB30 million. After several rounds of capital injections, the registered capital of Ossen (Jiujiang) as at the Latest Practicable Date was RMB183,271,073.50. Following various transfers between companies ultimately controlled by Dr. Tang, immediately before and after the Reorganisation and as at the Latest Practicable Date, the registered capital of Ossen (Jiujiang) was owned by Topchina and Ossen Innovation Materials as to approximately 79.54% and 20.46% respectively.

REORGANISATION

In contemplation of the Listing, we underwent a reorganisation to implement a structure whereby our Company became the holding company of our Group.

Set forth below is the corporate and shareholding structure of our Group immediately before the Reorganisation:



Notes:

(1) Ms. Gu Xiamin is the spouse of Mr. Hua Wei, a director of Ossen Innovation Materials and Ossen (Jiujiang).

(2) Ms. Chen Yan is the spouse of Mr. Zhou Xufeng, a Director.

(3) NASDAQ public shareholders are the holders of ADSs listed on NASDAQ.

(4) The remaining 19% equity interest in Ossen Innovation Materials was held by Anhui High-Technology as to 9%, Maanshan Huishen as to 5%, Ossen Group PRC as to 3% and Maanshan Cihu as to 2% as at the Latest Practicable Date. Except for Ossen Group PRC, which is ultimately controlled by Dr. Tang, these shareholders are Independent Third Parties.

1. Incorporation of our Company

On 26 April 2017, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each, of which 1 Share was allotted and issued to our Company's initial subscriber at par which was subsequently transferred to Elegant Kindness on the same day.

2. Transfer of 1% shareholding in Shanghai Pujiang from Mr. Wang to Mr. Man

On 17 June 2017, Mr. Wang entered into an equity transfer agreement with Mr. Man pursuant to which Mr. Wang transferred his 1% shareholding in Shanghai Pujiang to Mr. Man. The consideration was RMB3.0 million and was determined with reference to the valuation report of Shanghai Pujiang from an independent appraisal firm as at 31 December 2016. To the best of the Directors' knowledge, the consideration has been settled.

To the best of the Directors' knowledge, Mr. Man was a prior business acquaintance of Mr. Wang. Mr. Man was an individual investor and an Independent Third Party prior to his investment in our Group.

Upon completion of the transfer, the shares in Shanghai Pujiang were owned by Ossen Group PRC, Kunshan Zhongke, Mr. Lu, Mr. Wang, Mr. Man and Dr. Tang as to approximately 69.5%, 10%, 10%, 9%, 1% and 0.5% respectively and Shanghai Pujiang became a sino-foreign joint venture.

3. Establishment of holding companies

On 28 May 2018, Acme Innovation and Top Innovation were incorporated in the BVI. The entire issued share capital of both companies are owned by our Company. Acme Innovation and Top Innovation are investment holding companies with no business operations.

On 14 June 2018, Top Innovation acquired the entire issued share capital of Ossen Group HK from Dr. Tang for a consideration of HK$1.00. Ossen Group HK is a company incorporated in Hong Kong and is an investment holding company with no business operations.

On 5 June 2018, Shanghai Xiong Ao Enterprise Management Co., Ltd* (上海雄傲企業管理有限公司) ("**Shanghai Xiong Ao**") was incorporated in the PRC as a limited liability company with a registered capital of RMB1 million. The entire equity interest in Shanghai Xiong Ao was owned by Ossen Group HK.

4. Subscriptions by Dr. Tang of 1% equity interest in Shanghai Xiong Ao

On 23 July 2018 and on 19 September 2018, for the purpose of providing further funding to our Group to complete the Reorganisation in step 5, Dr. Tang subscribed an aggregate of 1% equity interest in Shanghai Xiong Ao at an aggregate subscription price of RMB124,350,000.

Upon completion of the above steps, the equity interest in Shanghai Xiong Ao was owned as to 99% by Ossen Group HK and 1% by Dr. Tang.

5. Subscription of Shares in our Company by investors in Shanghai Pujiang and transfer of shares in Shanghai Pujiang to our Group

We had been in negotiations with the Shanghai Pujiang investors to acquire their minority interests in Shanghai Pujiang as part of the Reorganisation, while also offering them the opportunity to continue their investment in our Group through an investment in our Company.

One of Shanghai Pujiang's shareholder, Kunshan Zhongke, had decided to realise its investment in Shanghai Pujiang due to a change in its business strategy. Accordingly, Kunshan Zhongke transferred its shares in Shanghai Pujiang to Shanghai Xiong Ao and Mr. Lu with the consideration arrived at after the arm's length negotiation between the parties taking into account a reasonable rate of return for Kunshan Zhongke on its initial investment.

All of the other shareholders of Shanghai Pujiang, Mr. Wang, Mr. Lu and Mr. Man, had decided to continue their investment in our Group. These shareholders had transferred their shares to Shanghai Xiong Ao and Ossen Group HK with the consideration equivalent to the amount of the registered capital of Shanghai Pujiang owned by the relevant Shareholders, and the Shares in our Company were issued to these Shareholders, with reference to the proportion of their original shareholdings in Shanghai Pujiang.

None of the investors in Shanghai Pujiang have entered into any shareholders agreement with each other in relation to their interest in Shanghai Pujiang or our Company and they have no special rights in relation to their shareholding other than pursuant to general law.

(a) Subscription of shares in our Company by Elegant Kindness and Xinland Investment, and transfer of shares in Shanghai Pujiang from Ossen Group PRC and Mr. Wang to Shanghai Xiong Ao

On 28 June 2018, our Company issued and allotted 79,695 Shares to Elegant Kindness at a subscription price of HK$0.01 per Share, which subscription price has been paid in full.

On 29 June 2018, Shanghai Xiong Ao entered into equity transfer agreements with each of Ossen Group PRC and Mr. Wang, pursuant to which Ossen Group PRC and Mr. Wang respectively transferred 62,550,000 shares and 4,500,000 shares in Shanghai Pujiang (equivalent to 69.5% and 5% of the issued share capital in Shanghai Pujiang respectively) to Shanghai Xiong Ao at a consideration of RMB62,550,000 and RMB4,500,000 respectively. The consideration for the abovementioned transfers has been settled in full by 4 July 2018.

On 4 July 2018, our Company issued and allotted 5,804 Shares to Xinland Investment, at a subscription price of HK$0.01 per Share, which subscription price has been paid in full. Xinland Investment is a company incorporated in the BVI and wholly owned by Mr. Wang.

Upon completion of the above steps, our Company was owned as to approximately 93.21% by Elegant Kindness and 6.79% Xinland Investment, and the shares in Shanghai Pujiang were owned by Shanghai Xiong Ao, Kunshan Zhongke, Mr. Lu, Mr. Wang, Mr. Man and Dr. Tang as to approximately 74.5%, 10%, 10%, 4%, 1% and 0.5% respectively.

(b) Transfer of 10% shareholding in Shanghai Pujiang from Mr. Lu to Shanghai Xiong Ao and subscription of Shares by Brilliance Benefit

On 3 September 2018, Shanghai Xiong Ao entered into an equity transfer agreement with Mr. Lu, pursuant to which Mr. Lu transferred 9,000,000 shares in Shanghai Pujiang (equivalent to 10% of the issued share capital in Shanghai Pujiang) to Shanghai Xiong Ao at a consideration of RMB9,000,000 which was fully settled on 29 September 2018.

On the same date, our Company issued and allotted 11,608 Shares to Brilliance Benefit at a subscription price of HK$0.01 per Share, which subscription price has been paid in full. Brilliance Benefit is a company incorporated in the BVI and wholly owned by Mr. Lu.

Upon completion of the above step, our Company was owned as to approximately 82.07% by Elegant Kindness, 5.98% by Xinland Investment and 11.95% by Brilliance Benefit, and the equity interest in Shanghai Pujiang was owned by Shanghai Xiong Ao, Kunshan Zhongke, Mr. Wang, Mr. Man and Dr. Tang as to approximately 84.5%, 10%, 4%, 1% and 0.5% respectively.

(c) Transfer of 4% shareholding in Shanghai Pujiang from Mr. Wang to Shanghai Xiong Ao and subscription of Shares by Xinland Investment

On 3 September 2018, Shanghai Xiong Ao entered into an equity transfer agreement with Mr. Wang, pursuant to which Mr. Wang transferred 3,600,000 shares of Shanghai Pujiang (equivalent to 4% of the issued share capital in Shanghai Pujiang) to Shanghai Xiong Ao at a consideration of RMB3,600,000 which was fully settled on 7 September 2018.

On the same date, our Company issued and allotted 4,643 Shares to Xinland Investment at the subscription price of HK$0.01 per Share, which subscription price has been paid in full.

Upon completion of the above step, our Company was owned as to approximately 78.32% by Elegant Kindness, 10.27% by Xinland Investment and 11.41% by Brilliance Benefit, and the equity interest in Shanghai Pujiang was owned by Shanghai Xiong Ao, Kunshan Zhongke, Mr. Man and Dr. Tang as to approximately 88.5%, 10%, 1% and 0.5% respectively.

(d) Transfer of 1% shareholding in Shanghai Pujiang from Mr. Man to Ossen Group HK and subscription of Shares by Five Standers

On 3 September 2018, Ossen Group HK entered into an equity transfer agreement with Mr. Man, pursuant to which Mr. Man transferred 900,000 shares of Shanghai Pujiang (equivalent to 1% of the issued share capital in Shanghai Pujiang), to Ossen Group HK at a consideration of RMB900,000 or a foreign currency equivalent to the amount of RMB900,000, which was fully paid on 10 September 2018.

On the same date, our Company issued and allotted 1,161 Shares to Five Standers at the subscription price of HK$0.01 per Share, which subscription price has been paid in full. Five Standers is a company incorporated in the BVI and wholly owned by Mr. Man.

Upon completion of the above step, our Company was owned as to approximately 77.44% by Elegant Kindness, 10.15% by Xinland Investment, 11.28% by Brilliance Benefit, and 1.13% by Five Standers and the equity interest in Shanghai Pujiang was owned by Shanghai Xiong Ao, Kunshan Zhongke, Ossen Group HK and Dr. Tang as to approximately 88.5%, 10%, 1% and 0.5% respectively.

(e) Transfer of 10% shareholding in Shanghai Pujiang from Kunshan Zhongke to Shanghai Xiong Ao and Mr. Lu, and subscription of Shares by Elegant Kindness

On 17 September 2018, Shanghai Xiong Ao entered into an equity transfer agreement with Kunshan Zhongke, pursuant to which Kunshan Zhongke transferred 7,200,000 shares of Shanghai Pujiang (equivalent to 8% of the issued share capital in Shanghai Pujiang) to Shanghai Xiong Ao at a consideration of RMB42,000,000 which was fully settled on 20 September 2018.

On 21 September 2018, our Company issued and allotted 9,122 Shares to Elegant Kindness at the subscription price of HK$0.01 per Share, which subscription price has been paid in full.

On 25 September 2018, Mr. Lu entered into an equity transfer agreement with Kunshan Zhongke, pursuant to which Kunshan Zhongke transferred 1,800,000 shares of Shanghai Pujiang (equivalent to 2% of the issued share capital in Shanghai Pujiang), to Mr. Lu at a consideration of RMB10,500,000 which was fully settled on 29 September 2018.

Upon completion of the above step, our Company was owned as to approximately 79.28% by Elegant Kindness, 9.32% by Xinland Investment, 10.36% by Brilliance Benefit, and 1.04% by Five Standers and the equity interest in Shanghai Pujiang was owned by Shanghai Xiong Ao, Mr. Lu, Ossen Group HK and Dr. Tang as to approximately 96.5%, 2%, 1% and 0.5% respectively.

(f) Transfer of 2% shareholding in Shanghai Pujiang from Mr. Lu to Shanghai Xiong Ao and subscription of Shares by Brilliance Benefit

On 28 September 2018, Shanghai Xiong Ao entered into an equity transfer agreement with Mr. Lu, pursuant to which Mr. Lu transferred 1,800,000 shares in Shanghai Pujiang (equivalent to 2% of the issued share capital in Shanghai Pujiang) to Shanghai Xiong Ao at a consideration of RMB1,800,000 which was fully settled on 29 September 2018.

On the same date, our Company issued and allotted 2,322 Shares to Brilliance Benefit at a subscription price of HK$0.01 per Share, which subscription price has been paid in full.

Upon completion of the above step, our Company was owned as to approximately 77.67% by Elegant Kindness, 9.14% by Xinland Investment, 12.18% by Brilliance Benefit and 1.01% by Five Standers, and the equity interest in Shanghai Pujiang was owned by Shanghai Xiong Ao, Ossen Group HK and Dr. Tang as to approximately 98.5%, 1% and 0.5% respectively.

6. Transfer of 65.9% shareholding in Ossen Innovation from Effectual Strength to Acme Innovation

The Reorganisation involved a combination of both the Cables Business and the Prestressed Materials Business into our Group for Listing. This was effected by our Group acquiring the controlling interest in Ossen Innovation which was held by Dr. Tang.

Pursuant to agreements dated 7 August 2018, each of Fascinating Acme and Gross Inspiration transferred its entire holding of 600,000 shares (equivalent to 3% of the issued share capital) in Ossen Innovation to Effectual Strength (a company wholly-owned by Dr. Tang), for a consideration of US$516,400 which was determined based on the trading price of the ADSs. The consideration paid to each of Fascinating Acme and Gross Inspiration, was settled in full on 8 August 2018 and on 14 August 2018, respectively.

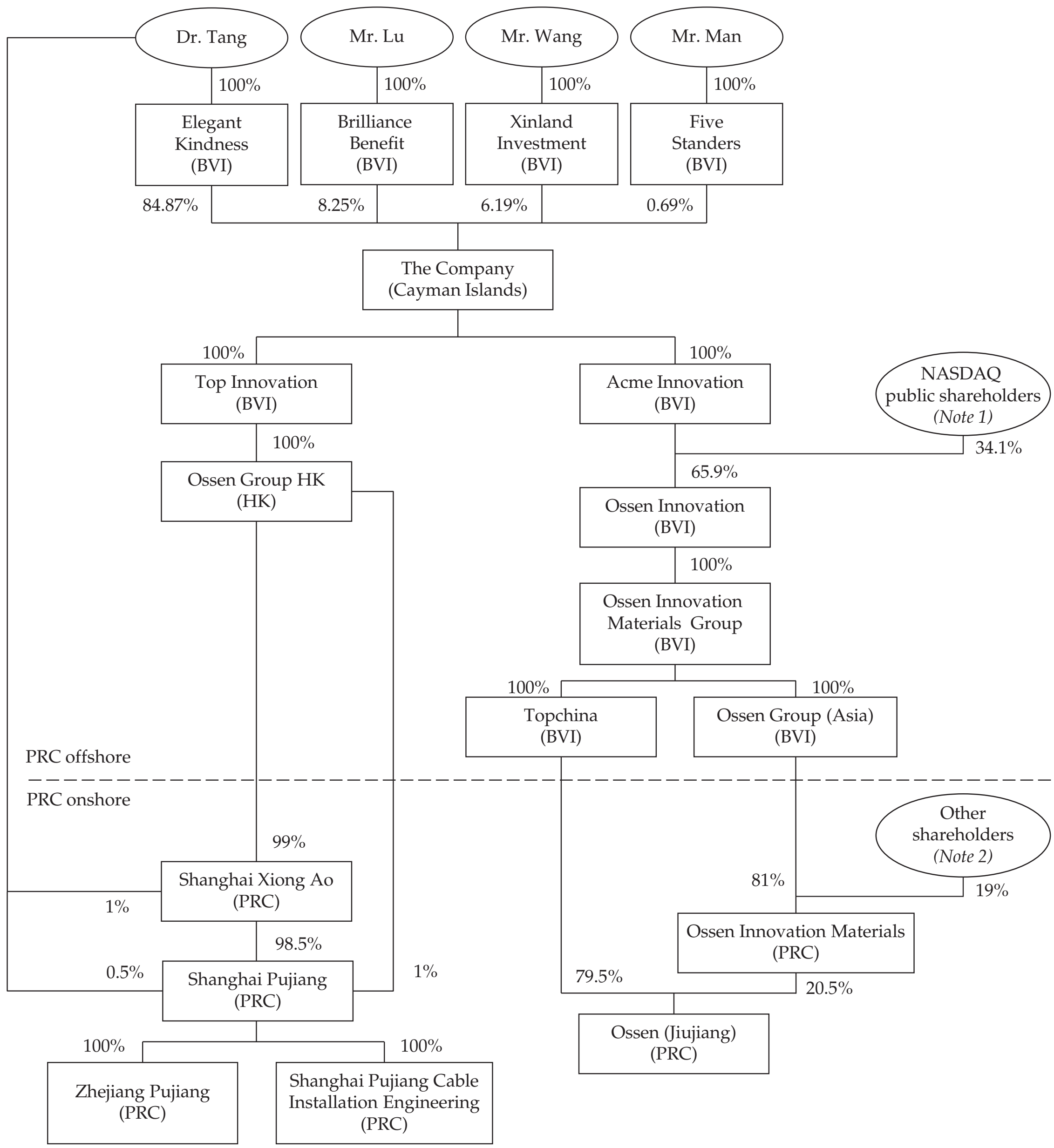
On 2 October 2018, Dr. Tang, Effectual Strength, Elegant Kindness, Acme Innovation, and our Company entered into a sale and purchase agreement, pursuant to which Effectual Strength, transferred its entire holding of 13,050,000 shares in Ossen Innovation (equivalent to 65.9% of the issued share capital in Ossen Innovation) to Acme Innovation, in consideration for the allotment and issue to Elegant Kindness of 54,404 Shares of our Company (representing approximately 32.24% of the then issued share capital of our Company), credited as fully paid.

Upon completion of the above share transfer, Ossen Innovation was 65.9% owned by Acme Innovation, and our Company was owned as to approximately 84.87% by Elegant Kindness, 8.25% by Brilliance Benefit, 6.19% by Xinland Investment and 0.69% by Five Standers. Ossen Innovation remains listed on NASDAQ.

7. Capitalisation Issue

Conditional upon the crediting of our Company's share premium account as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, our Directors are authorised to capitalise an amount of HK$5,998,312.40 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 599,831,240 Shares for allotment and issue to Elegant Kindness, Brilliance Benefit, Xinland Investment and Five Standers (the "**Capitalisation Issue**").

Set forth below is the corporate and shareholding structure of our Group immediately after the Reorganisation, but before the completion of the Global Offering and the Capitalisation Issue:

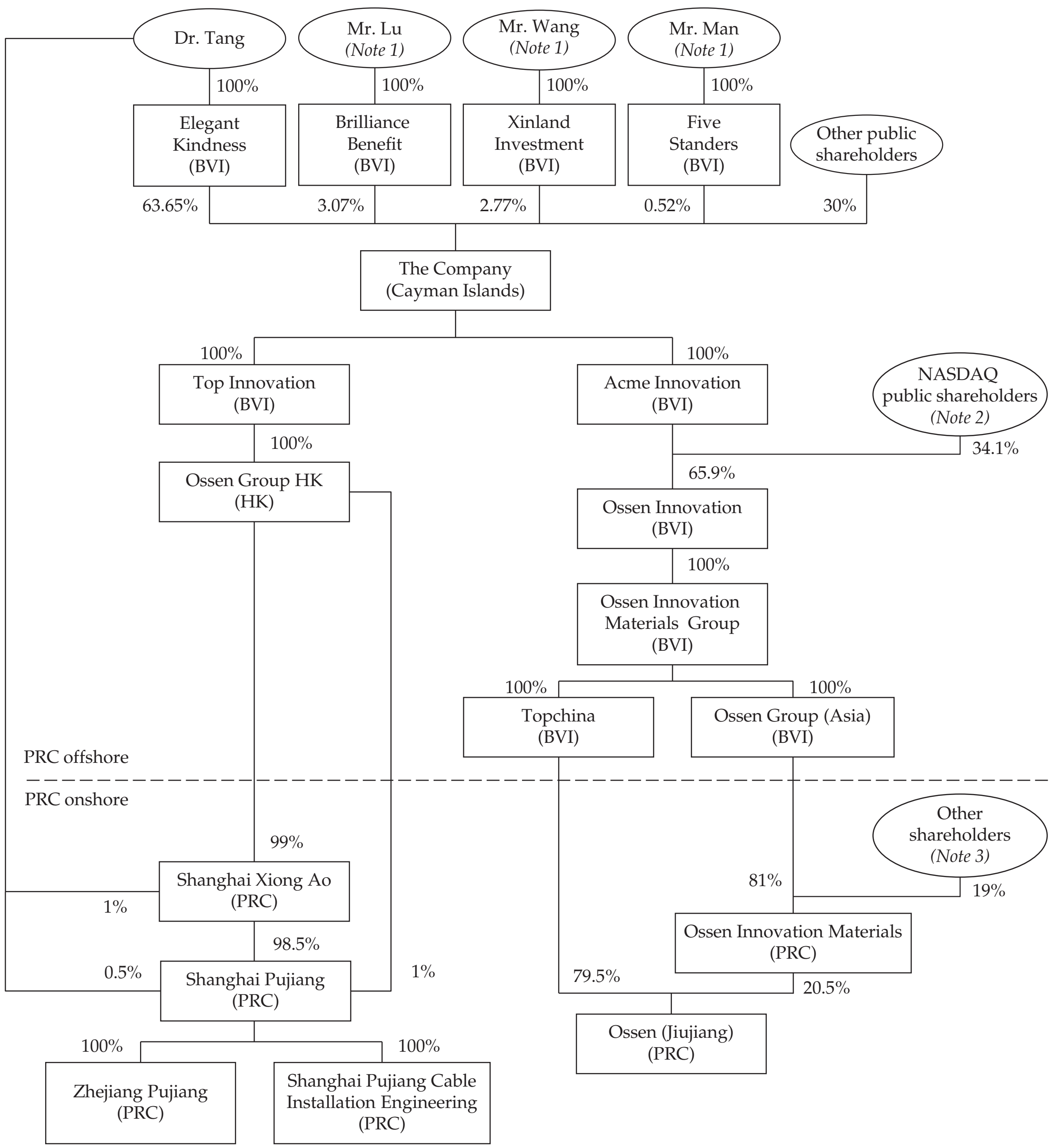


Notes:

(1) NASDAQ public shareholders are the holders of ADSs listed on NASDAQ.

(2) The remaining 19% equity interest in Ossen Innovation Materials was held by Anhui High-technology as to 9%, Maanshan Huishen as to 5%, Ossen Group PRC as to 3% and Maanshan Cihu as to 2% as at the Latest Practicable Date. Except for Ossen Group PRC, which is ultimately controlled by Dr. Tang, these shareholders are Independent Third Parties.

The following diagram illustrates the corporate and shareholding structure of our group immediately following the completion of the Global Offering and the Capitalisation Issue assuming no option which may be granted under the Share Option Scheme is exercised and not taking into account the Over-allotment Option:



Notes:

(1) Mr. Lu, Mr. Wang and Mr. Man will also be public shareholders. Brilliance Benefit and Xinland Investment are Selling Shareholders.

(2) NASDAQ public shareholders are the holders of ADSs listed on NASDAQ.

(3) The remaining 19% equity interest in Ossen Innovation Materials was held by Anhui High-technology as to 9%, Maanshan Huishen as to 5%, Ossen Group PRC as to 3% and Maanshan Cihu as to 2% as at the Latest Practicable Date. Except for Ossen Group PRC, which is ultimately controlled by Dr. Tang, these shareholders are Independent Third Parties.

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE LISTING

M&A RULES

On 8 August 2006, six PRC regulatory authorities in China (including CSRC, MOFCOM and SAFE) jointly promulgated Regulations on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which became effective on 8 September 2006 and were subsequently amended on 22 June 2009, (the "**M&A Rules**"). The M&A Rules specifies that, where a PRC investor establishes or controls a foreign enterprise and acquires a connected company in the PRC through the foreign enterprise, it shall be subject to the approval of MOFCOM. All parties involved in the foreign investor's merger and acquisition of domestic enterprises shall abide by the applicable PRC laws and regulations on foreign exchange control and apply to SAFE or its local branches for approval, registration, filing for record and alteration formalities in a timely manner. In addition, the M&A Rules include provisions that purport to require offshore special purpose companies pursuant to the M&A Rules, controlled directly or indirectly by PRC companies or individuals with a view to list in an oversea stock exchange with their operating companies or assets in China, to obtain the approval of the CSRC prior to the listing and trading of their securities in any overseas stock exchange.

As advised by our PRC Legal Advisers, regarding the transfer of 1% equity interest from Mr. Wang to Mr. Man, since Mr. Man is an Australian citizen, he does not fall within the definition of domestic natural person under the M&A Rules. Also, as advised by our PRC Legal Advisers, regarding the transfers of 69.5%, 12%, 9%, 8% and 1% equity interest of Shanghai Pujiang from Ossen Group PRC, Mr. Lu, Mr. Wang, Kunshan Zhongke and Mr. Man, respectively to Shanghai Xiong Ao and Ossen Group HK, since Shanghai Pujiang is a sino-foreign joint venture limited liability company, and the Company is not a special-purpose company under the definition of the M&A Rules, there is no requirement for our Company to obtain the approval from MOFCOM with respect to such transfer. Further, since the consideration of the aforementioned transfer is settled by cash, there is also no requirement for our Company to obtain the approval of the CSRC prior to the Listing. As such, the abovementioned transfers complied with the M&A Rules.

SAFE Circular No. 37

Pursuant to SAFE Circular 37, special purpose vehicle ("**SPV**") refers to overseas companies directly incorporated or indirectly controlled by domestic residents (including domestic institutions and individual domestic residents) using the assets or rights and interests of domestic companies that they legally possess or the overseas assets or rights and interests they legally possess for the purpose of investments and financing. SAFE Circular No.37 further requires timely amendments to the registration for any major change in respect of the SPV, including, among other things, any major change of the SPV's PRC resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV's registered capital contributed by the PRC domestic resident, share transfer or swap, and merger or division. As advised by the our PRC Legal Advisers, Dr. Tang, Mr. Lu and Mr. Wang completed the registration for SAFE Circular No.37 on 1 August 2017.

Our PRC Legal Advisers have further confirmed that all approvals, permits and licences required in connection with the Reorganisation have been obtained, and the Reorganisation complies with the applicable PRC laws and regulations.

LISTING ON OTHER STOCK EXCHANGES

Listing of Ossen Innovation on NASDAQ

In order to raise funds for its operations and seek a platform for further capital financing, Ossen Innovation, which holds our Prestressed Materials Business, sought a listing in the US. Ossen Innovation issued and listed ADSs on NASDAQ Global Market in the United States on 21 December 2010 (stock code: OSN). The listing of the ADSs was transferred to the NASDAQ Capital Market on 30 July 2013. Ossen Innovation is and will remain listed on NASDAQ Capital Market following the Listing.

Each ADS represents three ordinary shares of Ossen Innovation. The ordinary shares of Ossen Innovation are not listed, but the ordinary shares held by holders of such ADSs have been deposited with J.P. Morgan Chase Bank, N.A. as depositary for the ADS programme. J.P. Morgan Chase Bank, N.A. holds the legal title of the ordinary shares which are deposited into the ADS programme from time to time. Ossen Innovation currently has 19,791,110 ordinary shares in issue, of which 13,050,000 shares are held by Acme Innovation, and the remaining 6,741,110 shares are deposited with the depositary and held by public shareholders.

Aborted listing application of Cable Business on the Shanghai Stock Exchange

Following Dr. Tang's acquisition of control in Shanghai Pujiang in 2010, Shanghai Pujiang proposed to seek a listing on the Shanghai Stock Exchange to raise funds for its operations and seek a platform for further capital financing. On 10 June 2015, Shanghai Pujiang submitted its listing application to the China Securities Regulatory Commission. However, given the large number of listing applications which rendered the listing timetable uncertain, and the Group's subsequent business strategy to consolidate the Cable Business and the Prestressed Materials Business (see below), Shanghai Pujiang withdrew its listing application in the second half of 2016 and considered alternative methods of listing or capital raising. At the time of withdrawal of the listing application, no comments had yet been received from the China Securities Regulatory Commission or the Shanghai Stock Exchange on Shanghai Pujiang's listing application.

Business strategy to combine the Cable Business and Prestressed Materials Business

From around 2016, we decided to consolidate the Cable Business and Prestressed Materials Business into a single group given the potential synergies between the two businesses in terms of supply chain management and operations and seek a listing of the enlarged group on an internationally recognised stock exchange. In addition, a consolidation of the Cable Business and the Prestressed Materials Business would give our Group a greater scale and international footprint to capture further growth opportunities due to international project opportunities for our Cable Business. Our Directors ultimately decided that the Stock Exchange represents the most suitable listing venue for our Group given our operations and revenues are mostly in the PRC, and our management is based in the PRC.

Proposed reorganisation of Ossen Innovation

Various alternatives were considered for combining the two businesses. It was proposed that the Prestressed Materials Business, which is held by Ossen Innovation, would be transferred to an entity affiliated with Dr. Tang in exchange for the cancellation of his shares in Ossen Innovation. At the same time, Ossen Innovation would acquire a new business from, and become controlled by a third party. It was anticipated that following completion of the proposed transaction, (i) Dr. Tang would no longer be interested in any shares of Ossen Innovation, and Ossen Innovation would therefore no longer be affiliated with our Group and (ii) the Cable Business and the Prestressed Materials Business would be consolidated in a single group in anticipation of a new listing on the Stock Exchange. At the time, the directors of Ossen Innovation considered this arrangement to be in the best interests of the shareholders of Ossen Innovation.

In order to effect the aforementioned arrangement, on 19 July 2017, Ossen Innovation entered into a share exchange agreement (the "**Exchange Agreement**") with, among others, America-Asia Diabetes Research Foundation ("**AADRF**"), a California corporation that owned a China-based medical devices company engaged in the research, development and marketing of glucose control products. AADRF was an investment holding company, whose shares were in turn held by management of the China-based medical devices subsidiary and various financial investors. Pursuant to the Exchange Agreement, Ossen Innovation agreed to acquire all of the equity interests in AADRF in exchange for the issue of shares in Ossen Innovation to AADRF's shareholders. In addition, Ossen Innovation entered into an agreement (the "**Spin-Off Agreement**") to spin-off its existing Prestressed Materials Business immediately following completion of the Exchange Agreement. Pursuant to the Spin-Off Agreement, an entity affiliated with Dr. Tang would acquire all of the equity of Ossen Innovation Materials Group, in exchange for the forfeiture and cancellation of all the ordinary shares held by Dr. Tang in Ossen Innovation. The Exchange Agreement and the Spin-off Agreement, hereinafter is together referred to as, the "**US Reorganisation**". The US Reorganisation was approved by approximately 98.8% of the votes cast at a special general meeting of shareholders of Ossen Innovation on 17 January 2018. Effectual Strength (a company wholly owned by Dr. Tang), which held 59.5% of all the ordinary shares, abstained from voting.

However, following various delays in completion of the transaction, on 8 May 2018, Ossen Innovation terminated the Exchange Agreement as AADRF and its shareholders had failed to satisfy the closing conditions set forth in the Exchange Agreement. As the Exchange Agreement and the Spin-Off Agreement were inter-conditional, the Spin-Off Agreement was also deemed terminated. The Directors confirm that the termination and abortion of the US Reorganisation did not have and will not have a material impact on our business.

Given preparations for a Hong Kong listing were already underway, the continued growth of our business and the industry outlook, we decided to proceed with the business combination, by acquiring the shares of Ossen Innovation held by Acme Innovation, and to proceed with the application for listing on the Stock Exchange. We consider this the best available alternative to achieve the strategy of combining the Prestressed Materials Business and the Cable Business and achieve a listing on the Stock Exchange.

Historic non-compliance incidents

Pursuant to the NASDAQ Capital Market listing rules, the ADSs of Ossen Innovation need to trade at a bid price at or above US$1.00 over any prior 30 consecutive business days period. In the past, Ossen Innovation has received the following letters of non-compliance from NASDAQ relating to the closing bid price of the ADSs falling below the requisite minimum price of US$1.00 per ADS:

Date of letter of non-compliance	Period during which ADS price was below US$1.00 bid price
12 August 2014	30 June 2014 to 11 August 2014
17 September 2015	5 August 2015 to 16 September 2015

In accordance with the NASDAQ Capital Market listing rules, Ossen Innovation was given a compliance period of 180 calendar days (and as requested by Ossen Innovation, a further 180 calendar days period was granted) in which to regain compliance for the said non-compliance incidents.

In relation to each of the above incidents, the non-compliance incidents arose from fluctuations in the trading price of the ADSs and not a wrongful act by Ossen Innovation on its directors. In addition, Ossen Innovation had taken appropriate measures to rectify the non-compliance, including taking steps to undertake share repurchase programmes and a reverse stock split. The bid price of the ADSs subsequently recovered and Ossen Innovation received letters from NASDAQ on 30 July 2015 and 6 September 2016 confirming that it had regain compliance. Should the closing bid price of the ADSs continuously stay below the US$1.00 bid price requirement for an extended period of time and Ossen Innovation fail to timely rectify such non-compliance, Ossen Innovation may be delisted from NASDAQ. Please refer to the section headed "Risk Factors — Risks Relating to the Global Offering and our Shares and Listing of Ossen Innovation on NASDAQ — The trading prices and volumes of the ADSs of Ossen Innovation may be volatile, which may have an effect on the prices and volumes of our Shares traded on the Stock Exchange and the ability of Ossen Innovation to remain listed on NASDAQ". Given the bid price of securities are determined by the market, the Group is unable to prevent the bid price of the ADSs falling below the prescribed minimum in future. In the event a non-compliance incident should occur again, Ossen Innovation will monitor the trading pattern of its ADSs and take appropriate rectification measures (such as share repurchases or reverse stock splits) if the bid price does not sufficiently recover during the cure period.

Save for the above, the Directors are not aware of any non-compliance by Ossen Innovation with the applicable rules and regulations in relation to its listing on NASDAQ.

OVERVIEW

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

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

We principally engage in the following two business segments:

- **Cable Business.** We focus on the manufacture and supply of cables for construction of bridges, with strong technical know-how in super-long-span suspension bridges and super-long-span cable-stayed bridges. In addition, we also manufacture a relatively small number of cables for use in constructing various architectural structures such as stadiums and exhibition centres. We operate our Cable Business under the brand of "Pujiang Cable (浦江纜索)" and mainly carry out the production of bridge cables at our production facility situated in Xitang, Zhejiang Province in China.

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

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

  Our business has over 14 years of experience in the production of prestressed materials and we operate our Prestressed Materials Business under the brand of "Ossen (奧盛)". We carry out our production of prestressed materials at our two production facilities situated in Maanshan, Anhui Province and Jiujiang, Jiangxi Province in China.

During the Track Record Period, we generated around 67% of our revenue from our Prestressed Materials Business. For the years ended 31 December 2016, 2017 and 2018, we generated revenue in the amounts of RMB1,081.9 million, RMB1,317.7 million and RMB1,383.3 million, respectively, and our profit for the year was RMB74.9 million, RMB88.7 million and RMB148.6 million, respectively.

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

	Year ended 31 December					
	2016		2017		2018	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	RMB'000		*RMB'000*		*RMB'000*	
Cable Business	303,275	28.0	425,803	32.3	518,797	37.5
Prestressed Materials Business	778,612	72.0	891,890	67.7	864,538	62.5
Total revenue	1,081,887	100.0	1,317,693	100.0	1,383,335	100.0

	Year ended 31 December					
	2016		2017		2018	
	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin	Gross Profit	Gross profit Margin
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Cable Business	105,203	34.7	147,325	34.6	190,664	36.8
Prestressed Materials Business	109,252	14.0	98,582	11.1	135,837	15.7
Total	214,455	19.8	245,907	18.7	326,501	23.6

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

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

COMPETITIVE STRENGTHS

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

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

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

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

Suspension bridges

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

Cable-stayed bridges

- Nanpu Bridge (南浦大橋) completed in 1991, the first super-long-span cable-stayed bridge in China
- Hangzhou Bay Bridge (杭州灣跨海大橋) completed in 2008, one of the longest sea-crossing bridges in China as at the Latest Practicable Date
- Minpu Bridge (閔浦大橋) completed in 2009, the largest double deck cable-stayed bridge in China

For details of the above representative projects, please refer to "Business — Our Business — Cable Business — Major projects participated by us (ranked by the length of the main span)".

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

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

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

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

Our research and development team carries out their research and testing at our research centres and laboratories and we have controls in place to ensure the effectiveness of our research workflow. Due to our dedications to technological development, our research centres were awarded various recognitions by the government authorities. Please refer to the section headed "Business — Research and Development — Recognitions" for further details of our recognitions. Apart from using our in-house resources, we also collaborate with tertiary institutions, such as Tongji University and Jiujiang Engineering and Materials Institute in China to further advance our research outcome. Please refer to the section headed "Business — Research and Development — Collaboration with tertiary institutions" for further details. For the years ended 31 December 2016, 2017 and 2018, our research and development expenses accounted for 4.5%, 4.6% and 3.9% of our revenue, respectively.

As at the Latest Practicable Date, we had 151 registered patents (109 from our Cable Business and 42 from our Prestressed Materials Business) and two pending patent registrations for our Cable Business. For details of our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights" set out in Appendix IV to this prospectus.

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

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

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

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

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

Our products produced in our Cable Business and Prestressed Materials Business are ultimately used for construction of bridges, highways and other infrastructure projects, and therefore safety and reliability are of paramount importance to our customers. In view of this, having a high product quality standard is crucial as part of our business operations. We have established quality management systems designed and certified by the ISO 9001:2008 standards, and as at the Latest Practicable Date, we had a quality control team of 16 employees exercising stringent quality control at every stage of our production process, from procurement to final delivery. We believe our commitment in stringent product quality control has earned us high recognition among our customers and a good reputation.

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

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

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

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

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

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

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

BUSINESS STRATEGIES

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

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

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

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

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

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

In particular, our Group sees significant potential from the strong favourable outlook for the galvanised prestressed products due to its wide application in various infrastructure construction projects. According to Frost & Sullivan, the galvanised prestressed market is estimated to grow at a CAGR of 18.7% between 2018 and 2022, and in order to capture the market growth in this sector, the Group plans to implement the following strategies:

- Expand the production capacity for galvanised prestressed products by providing additional designed capacity of 10,000 tonnes per year for the "galvanisation" stage and 30,000 tonnes per year for the "stabilisation" stage;

- Our Cable Business will continue to expand its sales network and business scale which could potentially require galvanised prestressed products from our Prestressed Materials Business;

- Maintain good communications with our existing customers and seek potential demand for galvanised prestressed products; and

- Enhance our research and development efforts in order to increase the quality and efficiency in the production of galvanised prestressed products.

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

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

In relation to the Prestressed Materials Business, we plan to expand our production capacity for galvanised prestressed products with an additional designed capacity of 10,000 tonnes for the "galvanisation" stage and 30,000 tonnes for the "stabilisation" stage per year, which is expected to be completed by June 2020. Due to the growing market demand for prestressed materials, our production of galvanised prestressed products for bridge cables has reached a high utilisation in 2018 and is expected to grow in the near future. The increase in production capacity can also help to ensure a stable supply of raw materials to our Cable Business in the event of a shortage of supplies of raw materials from our existing suppliers. In addition, as the prestressed materials market develops, the application of our prestressed products have expanded and the product quality has also been raised, especially in terms of stress level and corrosion tolerance. As a result, it is crucial for us to expand our production capacity and upgrade our equipment in order to maintain our competitiveness in the market.

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

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

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

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

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

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

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

OUR BUSINESS

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

Cable Business

Overview

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

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

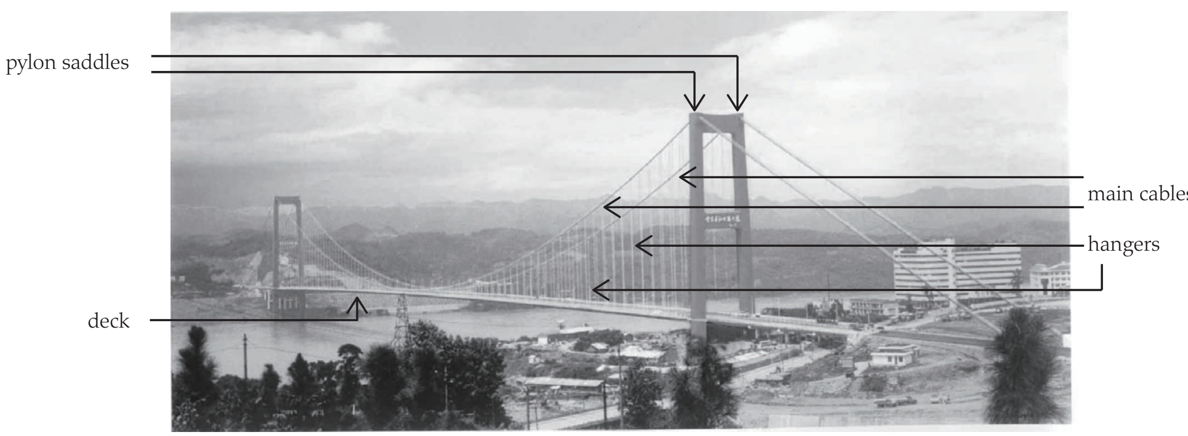
Bridge Cables

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

- **Suspension bridge**

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

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

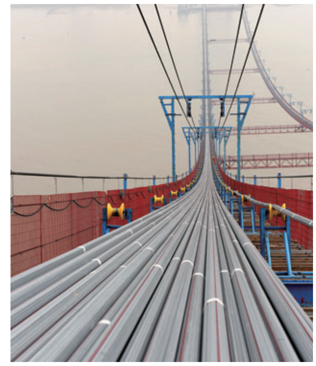


Simple illustration of a suspension bridge

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

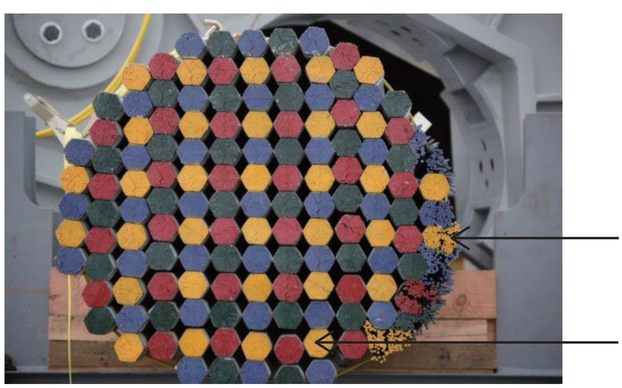
Our suspension cables are generally formed by combining 61, 91, 127 or 169 galvanised steel wires. The suspension cables are pre-fabricated at our production facility and we produce suspension cables in accordance with the specifications of the bridge design. Suspension cables are then delivered to bridge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

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



Installation at the construction site

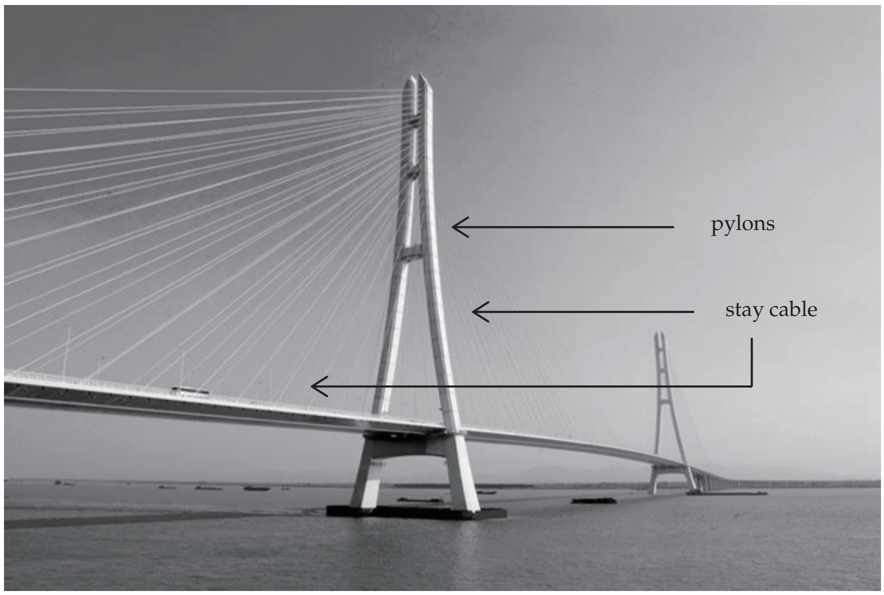
Suspension cables being fabricated at our Xitang production facility



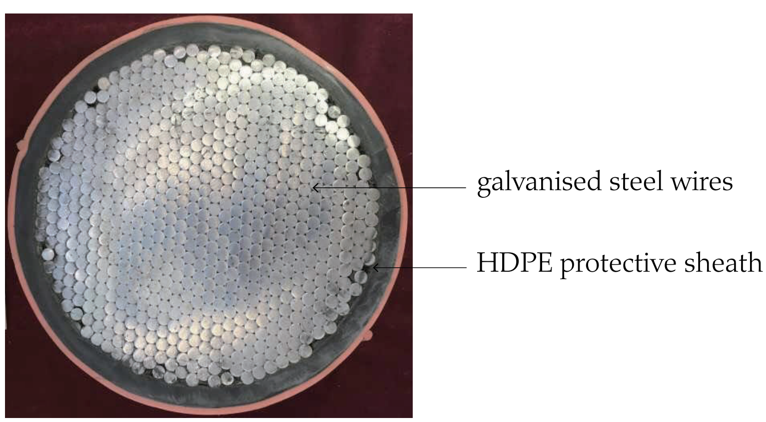
Cross section of a main cable using suspension cable produced by us

- **Cable-stayed bridge**

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



Simple illustration of a cable-stayed bridge



Cross section of a typical stay cable

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

Bridge Cable Installation Service

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

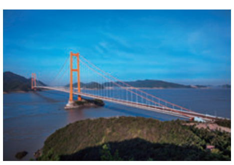
The following table sets out our revenue generated by project type and their percentage of our total revenue for our Cable Business for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Project type						
Suspension bridge	125,988	41.5	313,798	73.7	221,554	42.7
Cable stayed bridge	167,957	55.4	92,387	21.7	284,965	54.9
Others[(1)]	9,330	3.1	19,618	4.6	12,278	2.4
Total revenue	303,275	100.0	425,803	100.0	518,797	100.0

Note:

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

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

Project		Location	Main span *(m.)*	Description	Year of completion
Suspension bridges					
	1915 Canakkale Bridge *(illustrative picture)*	Canakkale, Turkey	2,023	• Largest suspension bridge in the world upon completion	Under construction
	Humen No. 2 Bridge 虎門二橋	Guangdong Province, China	Nizhou section: 1,688 Dasha section: 1,200	• Largest suspension bridge in China as at the Latest Practicable Date	2019
	Xihoumen Bridge 西堠門大橋	Zhejiang Province, China	1,650	• Largest suspension bridge in China in 2018	2009
	Egongyan Railway Bridge 鵝公岩軌道交通專用橋	Chongqing, China	600	• Largest self-anchored suspension bridge in the world upon completion	Under construction
	Hwayang Bridge *(illustrative picture)*	Yeosu, Republic of Korea	500	• One of the largest cable-stayed bridges in Korea	Under construction
	Oakland Bay Bridge 奧克蘭海灣橋	California, U.S.	385	• Largest self-anchored suspension bridge in the world in 2013	2013
Cable-stayed bridges					
	Shanghai Minpu Bridge 上海閔浦大橋	Shanghai, China	708	• Largest double deck highway bridge in China	2009
	Shanghai Nanpu Bridge 南浦大橋	Shanghai, China	423	• First Chinese-made super-long-span cable-stayed bridge	1991

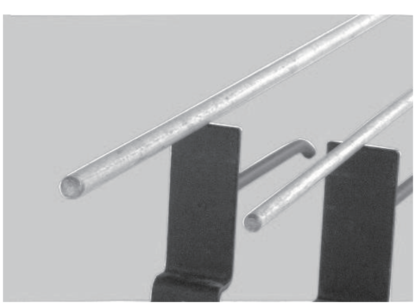
Project	Location	Year of completion
Other structures		
Education City Stadium, one of the stadiums for World Cup 2022	Qatar	Under construction
Shanghai Pudong International Airport	Shanghai, China	1999
Shanghai Tower 上海中心大廈	Shanghai, China	2016
Axial of the Shanghai Expo 上海世博軸	Shanghai, China	2008

Prestressed Materials Business

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

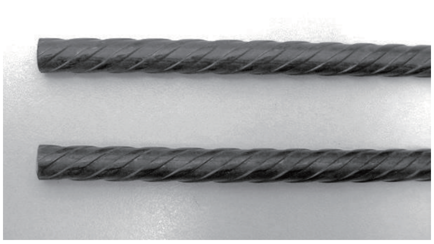
1. **Rare earth coated prestressed products**

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



2. Plain surface prestressed products

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

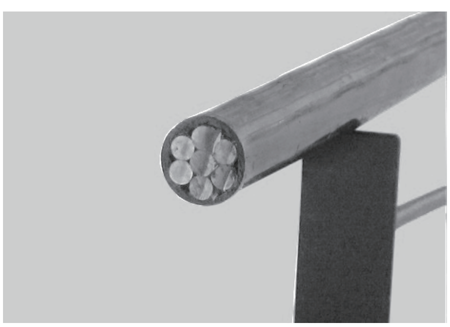


Helical plain surface PC wire

Indented plain surface PC wire

3. Galvanised prestressed products

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



Unbonded galvanised PC strand

Galvanised steel strands for bridge cables

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

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Products						
Rare earth coated prestressed products	674,242	86.6	760,922	85.3	685,532	79.3
Plain surface prestressed products	45,461	5.8	46,171	5.2	31,917	3.7
Galvanised prestressed products	49,170	6.3	72,476	8.1	142,274	16.4
Others[1]	9,739	1.3	12,321	1.4	4,815	0.6
Total revenue	778,612	100.0	891,890	100.0	864,538	100.0

Note:

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

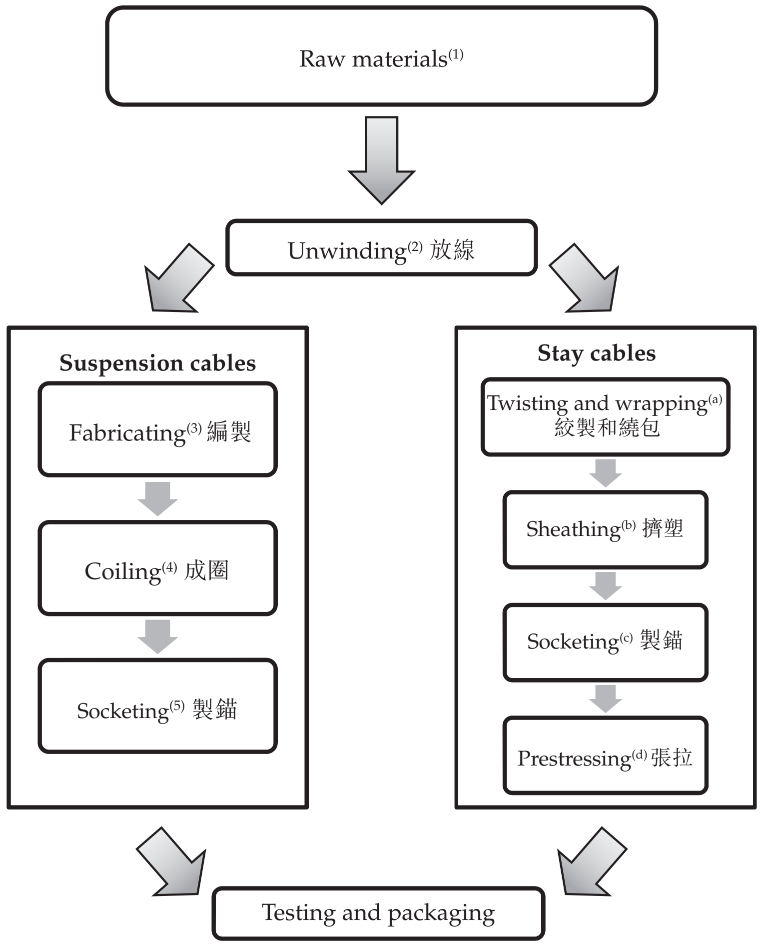
OUR PRODUCTION

Production process

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

Cable Business

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



Notes:

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

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

Suspension cables

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

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

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

Stay cables

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

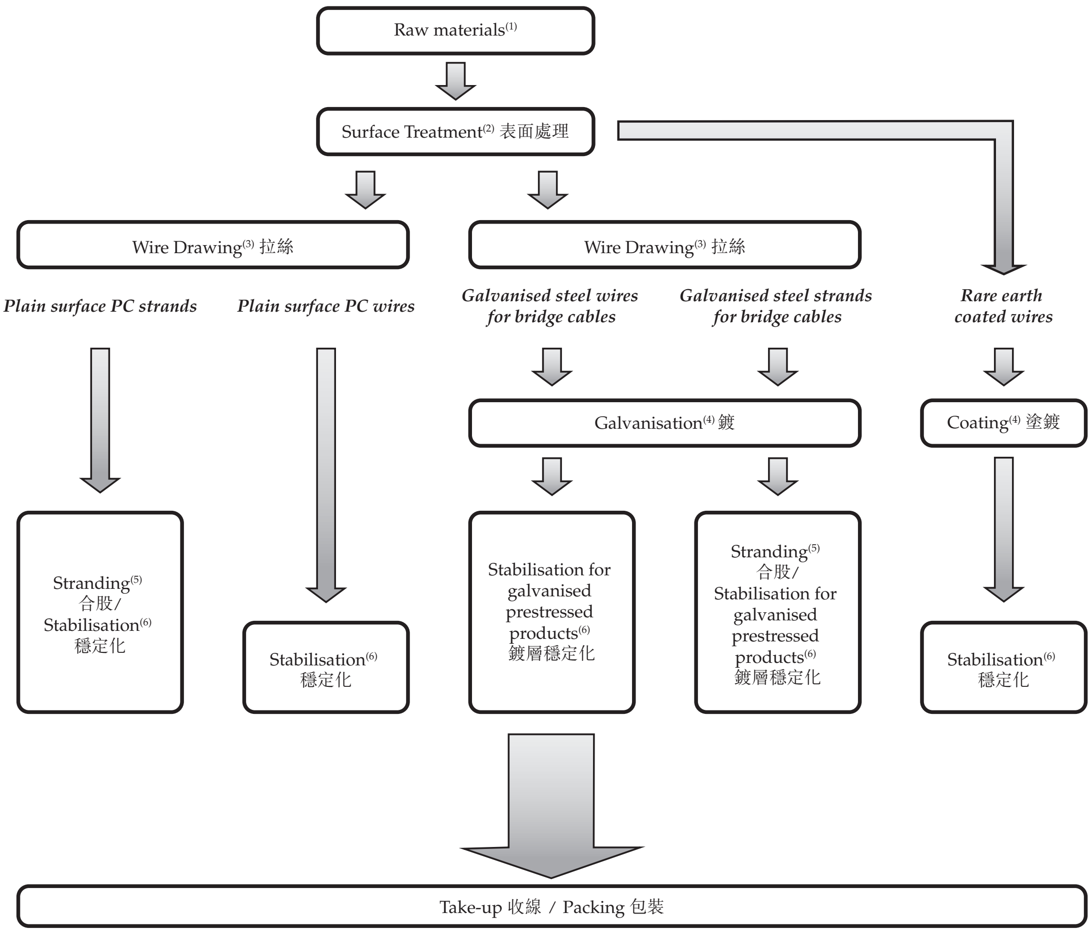
(b) **Sheathing:** semi-finished stay cables are protected by HDPE sheath layers, providing protection against external agents to stay cables.

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

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

Prestressed Materials Business

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



Notes:

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

(2) **Surface treatment:** cleaning and descaling were performed chemically, using abrasive methods aimed at removing dirt and mill scale. Depending on the specifications of the final products, surface treatment process may include acid pickling, rinsing, phosphating and cleaning. This process lubricates the wire rods and facilitates later production processes. The equipment used in surface treatment are shared across all products produced by our Prestressed Materials Business.

(3) **Wire drawing:** following surface treatment, wire rods are drawn into wires through the wire drawing machine to trim their size in accordance with customer's product specifications. The wire drawing machines are shared across all products produced by our Prestressed Materials Business except for rare earth coated prestressed products.

(4) **Coating or galvanising:** coating are applied on the wires under specific heat condition to form coated or galvanised wires. Coating machines are for our rare earth coated prestressed products only whereas galvanisation machines are for galvanised prestressed products only.

(5) **Stranding:** during the stranding process, wires are wound into a strand by a stranding machine. Plain surface prestressed products and galvanised prestressed products share the stranding machines for stranding.

(6) **Stabilisation:** wires or strands are stabilised by removing residual mechanical stresses through thermal and mechanical treatments where the strands are straightened, heated, cooled and ultimately tension will be applied to the final products at this stage. Upon stabilisation, the final products will be prestressed. The extent of the tension will determine the usage of strands. Plain surface prestressed products and rare earth coated prestressed products share stabilisation machines for its stabilisation stage, while galvanised prestressed products use specialised stabilisation machines for stabilisation.

Our Production Facilities

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

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

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

Please refer to the section headed "Business — Properties" in this prospectus for further details.

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

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

Apart from the additions of machinery each year, our expenses on repair and maintenance for the years ended 31 December 2016, 2017 and 2018, were RMB0.9 million, RMB1.1 million and RMB1.4 million, respectively.

For our Prestressed Materials Business, the production staff for our rare earth coated prestressed products and plain surface prestressed products can be used interchangeably. However, we have a designated team for the production of our galvanised prestressed products since the production process of galvanised prestressed products is more complex and requires special training. As disclosed in the section headed "Future Plans and Use of Proceeds", we are planning to expand our galvanised prestressed products production line and we expect to purchase one additional galvanisation machine for the "galvanisation" stage and one additional galvanised prestressed wire stabilisation machine for the "stabilisation" stage for the production of galvanised prestressed products.

The following table sets out a summary of our principal equipment used to produce our products as at 31 December 2018:

Cable Business

For stay-cabled bridge

Principal equipment	Location	No. of machines	Expected average residual life *(years)*
Stranding line (絞制生產線)	Jiaxing, Zhejiang Province	2	11.5
Cable sheathing line (擠包生產線)	Jiaxing, Zhejiang Province	2	11.5
Socketing units (制錨機組)	Jiaxing, Zhejiang Province	2	11.5
Pre-tensioning line (張拉生產線)	Jiaxing, Zhejiang Province	2	11.5
For suspension bridge			
Pay-off units (放絲機組)	Jiaxing, Zhejiang Province	2	11.5
Combining & forming units (成型機組)	Jiaxing, Zhejiang Province	2	11.5
Caterpillar hauling system (牽引系統)	Jiaxing, Zhejiang Province	2	11.5
Banding units (繞包機組)	Jiaxing, Zhejiang Province	2	11.5
Coiling system (收卷機組)	Jiaxing, Zhejiang Province	2	11.5
120 mt gantry crane (120噸龍門吊機)	Jiaxing, Zhejiang Province	1	9.5

Prestressed Materials Business

Principal equipment	Location	No. of machines	Expected average residual life *(years)*
Drawing machine (拉絲機)	Maanshan, Anhui Province	4	8.5
Pre-stressed stranding line (合股機)	Maanshan, Anhui Province	2	8.5
Coating production line (塗鍍生產線)	Maanshan, Anhui Province	1	9.5
Drawing machine (拉絲機)	Jiujiang, Jiangxi Province	3	7.5
Pre-stressed stranding line (合股機)	Jiujiang, Jiangxi Province	1	7.5
Galvanisation machine (鍍鋅機組)	Jiujiang, Jiangxi Province	1	9.5
Galvanised prestressed wire stabilisation (鍍鋅鋼絲穩定化生產線)	Jiujiang, Jiangxi Province	2	7.5
Coating production line (塗鍍生產線)	Jiujiang, Jiangxi Province	1	9.5

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

	Year ended 31 December								
	2016			2017			2018		
Business segment	Production capacity(1) *(tonnes)*	Actual production volume *(tonnes)*	Utilisation rate(2) *(%)*	Production capacity(1) *(tonnes)*	Actual production volume *(tonnes)*	Utilisation rate(2) *(%)*	Production capacity(1) *(tonnes)*	Actual production volume *(tonnes)*	Utilisation rate(2) *(%)*
Cable Business	40,000	23,677	59.2	40,000	39,443	98.6	40,000	46,396	116.0
Prestressed Materials Business									
– plain surface prestressed products(3)	91,000	9,255	10.2	91,000	10,796	11.9	91,000	5,481	6.0
– rare earth coated prestressed products(4)	269,000	249,397	92.7	269,000	213,628	79.4	269,000	157,130	58.4
– galvanised prestressed products(5)	30,000	12,243	40.8	30,000	10,903	36.3	30,000	30,563	101.9

Notes:

(1) Production capacity for our Cable Business is determined on the basis of the optimal production speed of various production machines, number of production personnel, 300 working days per calendar year, taking into account staff holidays and public holidays and maintenance schedules. With one additional workshift, we would be able to increase our production capacity to 60,000 tonnes without expanding our production equipment in order to meet future demand. The actual production capacity may also vary depending on the specifications of the cable product being produced.

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

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

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

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

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

Cable Business

The utilisation rate for our Cable Business increased from 59.2% in 2016 to 98.6% in 2017. This increase was mainly due to the increasing sales volume of our bridge cables from 27,327 tonnes in 2016 to 39,442 tonnes in 2017 from sales to projects with higher contract values. The utilisation rate increased from 98.6% in 2017 to 116.0% in 2018 due to continued strong demand for our bridge cables, as a result, our sales volume increased from 39,442 tonnes in 2017 to 42,592 tonnes in 2018. The number of cable-stayed bridge projects also increased from 42 in 2017 to 65 in 2018. The fluctuation in the utilisation rate was also dependent on the delivery schedule of the projects we have on hand during the year.

Prestressed Materials Business

For our plain surface prestressed products, our utilisation rate was low due to low demand for our plain surface prestressed products and we focused our sales and production efforts on our galvanised prestressed products, which had higher demand. The sales of plain surface prestressed products contributed to 5.8%, 5.2% and 3.7% of our total Prestressed Materials Business revenue in 2016, 2017 and 2018, respectively, and the sales volume decreased from 17,623 tonnes in 2016 to 9,165 tonnes in 2017 and further to 5,893 tonnes in 2018.

For our rare earth coated prestressed products, our utilisation rate fluctuated during the Track Record Period. The utilisation rate decreased from 92.7% in 2016 to 79.4% in 2017 due to a decrease in sales volume of rare earth coated prestressed products. The utilisation rate further decreased to 58.4% in 2018, due to lower market demand for our rare earth prestressed products leading to our greater focus on the production and sales of galvanised prestressed products, which requires the use of greater resources in terms of raw materials and labour.

For our galvanised prestressed products, our utilisation rate decreased slightly from 40.8% in 2016 to 36.3% in 2017 due to a decrease in production volume as we sold more of the inventories produced in 2016 but the utilisation rate significantly increased to 101.9% in 2018. The increase in utilisation rate in 2018 was mainly due to increased demand for galvanised prestressed products from construction companies as well as cable manufacturers coupled with our greater focus on the production and sales of galvanised prestressed products to meet such demand.

From July to December 2018, we experienced a power interruption for part of our galvanisation production line due to a construction accident during road repairs outside of our Jiujiang production facilities affecting a high power transmission cable rendering certain equipment inoperable. The affected equipment is used for the "galvanisation" stage for our galvanised prestressed products. Around the end of December 2018, the power supply was restored and our galvanisation production line resumed its normal operations. During the Track Record Period, contribution from sales of galvanised prestressed products ranged from 4.6% to 10.3% of our total revenue. In addition, our utilisation rate and sales of galvanised prestressed products have not been adversely affected from the power interruption as we instead purchased a greater amount of semi-finished galvanised prestressed materials from our suppliers and further processed them through the "stabilisation" stage to produce our final products. The utilisation rate for galvanised prestressed products was not impacted by the power interruption because the utilisation rate is calculated based on the capacity at the "stabilisation" stage of 30,000 tonnes per year. The gross profit margin from the sales of self-produced galvanised prestressed products was around 27% in 2018, while the gross profit margin from the sales of processed semi-finished galvanised products was around 20% in 2018. Please refer to the section headed "Business — Our Production — Production process — Prestressed Materials Business" for an illustration of our production process. Our Directors confirm that the power interruption did not have any material adverse impact on our business.

Expansion plan in the Prestressed Materials Business

As part of the business strategies of the Group and considering our existing production capacity for our galvanised prestressed products, the Directors intend to expand the production capacity for the production of galvanised prestressed products after Listing. This new production line is expected to provide additional designed capacity of 10,000 tonnes per year for the "galvanisation" stage and 30,000 tonnes per year for the "stabilisation" stage. The construction of this additional production line is expected to be completed by June 2020. Please refer to the section headed "Future Plans and Use of Proceeds" for details on the expansion plan.

The Directors are of the view that this expansion plan is in the interest of our Group after taking into consideration the current operational performance of our Prestressed Materials Business. The business rationale and other details with respect to the expansion of the production capacity of our galvanised prestressed products include:

- **Favourable market outlook:** Our galvanised prestressed products can be used as raw materials for bridge cables and may be used for various other architectural structures. According to Frost & Sullivan, the total estimated sales value of prestressed materials business is expected to grow from 2018 to 2022 at a CAGR of 13.4%. In addition, the total investment in fixed assets of infrastructure construction in China is forecasted to grow at a CAGR of 11.8% between 2018 and 2022 and the total estimated sales value of galvanised prestressed materials is expected to grow at a CAGR of 18.7% over the same period. Accordingly, the Directors believe that the market for galvanised prestressed products has a very good potential for further expansion. Given the positive market outlook, a consistent demand for prestressed materials is expected. Please refer to the section headed "Industry Overview — Market Analysis for the Bridge Cable and Prestressed Materials Industry — Key Market Drivers and Trends — Key market drivers and trends for the prestressed materials industry" for details of the prestressed materials industry. In addition, as our galvanised prestressed products can be used as raw materials for bridge cables, the expected continuous growth in the number of super-long-span bridges, with a CAGR of 20.8% between 2018 and 2022, will also contribute to the increasing demand for galvanised prestressed products.

- **Increasing sales of our galvanised products:** Although we only generated around 4.6% to 10.3% of our total revenue during the Track Record Period from sales of galvanised prestressed products, this amount has been increasing. As discussed above, the demand for galvanised prestressed products has been growing and is expected to continue to grow as shown in the favourable market outlook. During the Track Record Period, the sales volume of our galvanised prestressed products increased from 9,608 tonnes in 2016, to 13,255 tonnes in 2017 and further to 19,489 tonnes in 2018. In addition, we sold 6,228 tonnes in 2018 to our Cable Business.

  The overall sales volume of our Prestressed Materials Business decreased from 284,279 tonnes in 2016 to 237,681 tonnes in 2017 and further to 174,662 tonnes in 2018 primarily because of lower demand for our rare earth and plain surface prestressed products, partly offset by a significant increase in demand for galvanised prestressed products. Given the increasing demand and favourable market outlook for galvanised prestressed products, in the long run, we plan to focus more on producing more of such products, including bridge cable related products.

- **Insufficient capacity:** Due to the current restraints on our production machinery, taking into account optimal production speeds, our production line for galvanised prestressed products has reached its maximum production capacity, with a utilisation rate of over 100% in 2018. Considering the favourable market outlook, we expect there will be an increasing demand for our galvanised prestressed products and therefore we are in need of additional production capacity to cope with the demand.

  Our proposed expansion relates to both the "galvanisation" and "stabilisation" stages of the production process, we expect that we would have an additional designed capacity of 10,000 tonnes for "galvanisation" stage and an additional designed capacity of 30,000 tonnes for the "stabilisation" stage, thereby doubling the annual production capacity. In the first half of 2018, taking into account seasonality, the utilisation rate for our "galvanisation" stage was 58.1%. Our galvanisation machines were not available for use during the second half of 2018 due to the power interruption as disclosed above. For the full year of 2018, the utilisation rate for our "stabilisation" stage was 101.9%.

- **Supply for our Cable Business:** During the Track Record Period, our Cable Business mainly purchased galvanised prestressed wires as raw materials for the production of bridge cables from independent third party suppliers. We foresee the increasing production capacity could help supply our Cable Business and act as an alternative source of supply of raw materials in case of a shortage of supplies from our Cable Business' existing suppliers. In 2016 and 2017, our Cable Business did not purchase galvanised prestressed wires from our Prestressed Materials Business. In 2018, and subsequent to the Track Record Period and up to the Latest Practicable Date, our Cable Business purchased 6,228 tonnes and 3,604 tonnes of galvanised steel wires from our Prestressed Materials Business, respectively with an inter-company sales revenue of RMB38.1 million and RMB26.9 million, respectively. Our inter-company purchases in 2018 and 2019 was due to insufficient production capacity at existing suppliers to accommodate our orders. Although we plan to continue to purchase mainly from our existing suppliers, we foresee an increase in market demand for our cable product, which would require the procurement of more raw materials. Therefore, we expect that as we increase our additional capacity and production of galvanised prestressed products in our Prestressed Materials Business, we will start to source more of such raw materials for our Cable Business internally.

Assuming that the additional galvanisation production line would be completed by June 2020 and the production volume of our galvanised prestressed products will grow in accordance with the galvanised prestressed products sales volume as forecasted by Frost & Sullivan between 2018 to 2022 and taking into account intra-group sales to our Cable Business, the expected utilisation rate for the "galvanisation" stage and the "stabilisation" stage is around 90.0% and 79.3%, respectively for 2020 (based on an annual production capacity of 15,000 tonnes for the galvanisation stage and 45,000 tonnes for the stabilisation stage as the additional line is expected to be in operation for six months), 90.0% and 68.4%, respectively for 2021 (based on an annual production capacity of 20,000 tonnes for the galvanisation stage and 60,000 tonnes for the stabilisation stage) and 90.0% and 78.5%, respectively for 2022 (based on an annual production capacity of 20,000 tonnes for the galvanisation stage and 60,000 tonnes for the stabilisation stage).

The expected utilisation rate is calculated by dividing expected production volume by expected production capacity for the relevant year. For the expected production volume, we have assumed that the production volume will grow in accordance with the expected growth rate as forecasted by Frost & Sullivan, please refer to the chart headed "Sales Volume of Galvanised Prestressed Products in the PRC, 2013-2022E" in the section headed "Industry Overview" for the expected growth rate in 2020, 2021 and 2022. For the expected production capacity, we have assumed that the additional galvanisation production line would operate starting from July 2020.

The expected utilisation rate for the "stabilisation" stage is forecasted to decrease from 79.3% in 2020 to 68.4% in 2021 mainly because of the 33.3% increase in production capacity to 60,000 tonnes for the full year of 2021 as compared to the production capacity of 45,000 tonnes in 2020 is greater than the 15.0% expected growth in production volume in 2021 as forecasted by Frost & Sullivan. This utilisation rate is expected to increase to 78.5% in 2022 due to the increase in the expected sales volume of our galvanised prestressed products based on the growth rate as forecasted by Frost & Sullivan.

The above projections are for illustrative purpose only and are based on the aforementioned assumptions. Actual results may significantly differ from the projections based on these assumptions. You should not place undue reliance on these projections.

Company's strategy to capture market growth in the galvanised prestressed market

In order to capture the market growth, we plan to implement the following strategies:

- Enhance sales and marketing effort: We aim to enhance our sales and marketing efforts by increasing our sales force and exploring new customers for our galvanised prestressed products. As disclosed in the section headed "Future Plans and Use of Proceeds", we plan to increase our sales team by eight additional staff and marketing team by eight additional staff, as part of the expansion plan for our galvanised prestressed materials. By hiring the additional sales and marketing staff, we can continue to strengthen our customer relationship with our existing customers by dedicating account managers to key customers, and at the same time, explore new customers by expanding sales coverage and enhancing our geographic presence.

- According to Frost & Sullivan, galvanised prestressed products can be widely applied for use in infrastructure construction and we see an increasing use of bridge cable, which in turn will lead to growth in the galvanised prestressed products market. In 2018, we have successfully obtained contracts to manufacture cables for architectural structures such as cables for fisheries. Due to the increasingly wider application of cables, we foresee that our sales team would play an important role in helping us capture market growth.

- Research and development effort: We will continue to enhance our research and development effort to improve and upgrade the technology standard of our products.

As discussed in the expansion plan for the galvanised prestressed production capacity, our Prestressed Materials Business was able to sell galvanised prestressed materials required for our Cable Business, and our Prestressed Materials Business will be able to act as an alternative supplier to the Cable Business. It is foreseeable that there would be additional demand for the galvanised prestressed products from the Cable Business.

The relationship between our Cable Business and Prestressed Materials Business

During the Track Record Period, while our Prestressed Materials Business had the capability to supply galvanised prestressed products to our Cable Business, our Cable Business did not purchase from our Prestressed Materials Business in 2016 and 2017 mainly due to the following:

- **Geographical proximity of the existing suppliers**

  The production facility of our Cable Business situated in Xitang, Zhejiang Province procures the majority of our raw materials from suppliers situated in Shanghai and the Zhejiang Province region since the inception of our Cable Business. As the raw materials for producing bridge cables are bulky and heavy, our management considered that it would be time saving and more cost efficient for our Cable Business to procure raw materials from our Cable Business' existing suppliers than from our Prestressed Materials Business production facilities situated in Anhui Province and Jiangxi Province due to geographical proximity.

- **Established relationship with reliable suppliers**

  Our Cable Business has an established operating history and has been procuring its raw materials from its existing suppliers. As of the Latest Practicable Date, we maintained good business relationship with our existing suppliers for more than five years. Our Directors confirmed that during the Track Record Period, we had not encountered any major procurement problems in terms of shortage, delay and pricing from these existing suppliers.

- **To avoid connected transaction during the proposed A-share listing in 2016**

  Since December 2010, our Prestressed Materials Business has been listed on NASDAQ in the United States and in June 2015, our Cable Business submitted a listing application to the Shanghai Stock Exchange which was subsequently withdrawn in the second half of 2016. Please refer to the section headed "History, Reorganisation and Group Structure — Listing On Other Stock Exchanges" for details. At the time of the A-share listing application in 2015, it was our Controlling Shareholder's intention that each of the Prestressed Materials Business and the Cable Business would be independently listed in the U.S. and in Shanghai, respectively. Since the Cable Business and Prestressed Materials Business are both controlled by our Controlling Shareholder, the management of each of the business operating entities considered it would be best to avoid significant continuing connected transactions for independence purposes. As a result, our Cable Business only started procuring raw materials from our Prestressed Materials Business as needed in 2018, subsequent to the withdrawal of the listing application with the Shanghai Stock Exchange and in contemplation of the completion of the Reorganisation whereby the Prestressed Materials Business and Cable Business would come under the control of the Group.

Repair and Maintenance of our production lines

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

PROCUREMENT

We use various raw materials throughout our manufacturing process and we source the majority of our raw materials in China. Our principal raw materials include galvanised steel wires for our Cable Business, and high carbon steel wire rods for our Prestressed Materials Business. The cost of raw materials accounted for 95.0%, 95.8% and 95.6% of our total cost of sales, respectively, for the years ended 31 December 2016, 2017 and 2018.

Selection of suppliers

Cable Business

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

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

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

Prestressed Materials Business

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

Our suppliers contracts

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

Cable Business

For our Cable Business, we typically enter into raw material supply contracts on a project-by-project basis based on the projects' delivery schedule. Our suppliers for the Cable Business generally require us to make a down payment of approximately 80% out of the total contract value upon signing the supplier contracts (typically within 30 days) and the remaining balance is payable upon receipt of delivery. Such high percentage of prepayments are common in the industry we operate because suppliers tailor make our supplies in accordance with our specifications, according to Frost & Sullivan.

Prestressed Materials Business

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

Major suppliers

For the years ended 31 December 2016, 2017 and 2018, our purchases from our five largest suppliers accounted for 90.0%, 96.7% and 89.2% of our total purchases, respectively. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — We procure a significant portion of our raw materials from our five largest suppliers". All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates, nor Shareholders who own more than 5% of the issued share capital of our Company, has any interest in any of our five largest suppliers during the Track Record Period.

Jiangsu Shagang Supplies Trading Co. Ltd, a subsidiary of Jiangsu Shagang Group Co. Ltd. ("**Shagang**") has been the largest supplier to our Group during the Track Record Period. For the years ended 31 December 2016, 2017 and 2018, our purchases from our single largest supplier accounted for 47.0%, 54.7% and 54.0% of our total purchases, respectively; and our purchases from Shagang and its affiliates ("**Shagang Group**") accounted for 48.7%, 54.7% and 54.0% of our total purchases, respectively. Please refer to the section headed "Business — Procurement — Relationship with Shagang Group, our largest supplier" for details of our relationship with the Shagang Group.

In 2017, one of our major suppliers of prestressed materials for our Cable Business, Supplier D, also purchased prestressed materials from our Prestressed Materials Business when they encountered insufficient production capacity to fulfil their orders. For the year ended 31 December 2017, our sales of prestressed materials to Supplier D amounted to RMB1.52 million, which accounted for 0.1% of our total sales and the gross profit margins of the products sold by us to Supplier D was 13.3%. Our Directors confirmed that, during the Track Record Period, none of the products we purchased from Supplier D was used in the products we sold to Supplier D respectively.

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

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

Name	Our five largest suppliers and approximate percentage (%) to our total purchases	Approximate year(s) of business relationships with our Group	Business segment supplied within our Group	Products sold to us	Background of the supplier
Jiangsu Shagang Supplies Trading Co. Ltd[(1)] (江蘇沙鋼物資貿易有限公司)	2016: 47.0% 2017: 54.7% 2018: 54.0%	Eight	Prestressed Materials Business	High carbon steel wire rods	Metallic materials, building materials and chemical products trading company
Supplier A	2016: 24.1% 2017: 16.6% 2018: 17.3%	Five	Prestressed Materials Business	High carbon steel wire rods	Metallic materials, building materials and chemical products trading company

Name	Our five largest suppliers and approximate percentage (%) to our total purchases	Approximate year(s) of business relationships with our Group	Business segment supplied within our Group	Products sold to us	Background of the supplier
Supplier B	2016: 7.9% 2017: 8.7% 2018: 8.4%	Eight	Cable Business	Galvanised steel wires	Metallic materials, building materials and chemical products trading company
Supplier C	2016: 4.1% 2017: nil 2018: nil	Five	Prestressed Materials Business	High carbon steel wire rods	Metallic materials and building materials trading company
Supplier D[(2)]	2016: 6.9% 2017: 12.1% 2018: 4.8%	Eight	Cable Business	Galvanised steel wires	Galvanised steel wires and other metallic materials manufacturer and seller
Supplier E	2016: 1.5% 2017: 4.6% 2018: nil	Eight	Cable Business	Galvanised steel wires	Galvanised steel wires and other metallic materials manufacturer and seller
Supplier G	2016: 3.8% 2017: nil 2018: 4.8%	Six	Prestressed Materials Business	High carbon steel wire rods	Metallic materials, building materials and chemical products trading company

Notes:

(1) During the Track Record Period, we purchased from several suppliers affiliated with Shagang Group, which include Jiangsu Shagang Supplies Trading Co. Ltd.. For the years ended 31 December 2016, 2017 and 2018, our purchases from them accounted for 48.7%, 54.7% and 54.0% of our total purchases, respectively.

(2) An affiliate of Supplier C.

Relationship with Shagang Group, our largest supplier

Shagang is a company incorporated in the PRC in 1996. Shagang Group mainly engages in the production, sales and trading of steel raw materials such as steel bars, steel sheets, steel wires and wire rods, and it also produces prestressed raw materials. Shagang was awarded as one of the Top 500 Enterprises of China in 2017 and The World's Top 500 Enterprises in 2017. As confirmed by Frost & Sullivan, the Shagang Group is a market leader in the production of steel raw materials in China, including the manufacture of steel wire rods. The Shagang Group is our largest supplier during the Track Record Period and we purchased from them high carbon steel wire rods as raw materials for our Prestressed Materials Business. For the years ended 31 December 2016, 2017 and 2018, our purchases from the Shagang Group accounted for 48.7%, 54.7% and 54.0% of our total purchases, respectively. We were also one of the major customers of Shagang for the particular type of high carbon steel rods we use in our production for our Prestressed Materials Business. Although we purchase a significant amount of raw materials from the Shagang Group, we are not reliant on them as such raw materials are available from numerous alternative suppliers throughout China. Nonetheless, we purchase a significant amount of raw materials from Shagang Group mainly due to the following reasons:

- **Established supplier relationship with our Group and better procurement terms:** Our Group has been purchasing raw materials from Shagang Group for approximately eight years, and our Directors consider that it is a competitive, reputable and reliable raw materials supplier that provides high quality products. Due to our established business relationship, during the Track Record Period, we entered into annual framework agreement with Shagang Group. Key terms of the annual framework agreement include the minimum annual purchase volume of high carbon steel wire rods at a price which will be agreed every quarter, Shagang Group shall give priority in supplying raw materials to us; prepayment is required from us in order to secure favourable treatment in terms of pricing and supply of raw materials, and outstanding payment can be settled by way of cash or acceptance notes. During our business relationship with the Shagang Group over the years, we have not encountered any major procurement problems in terms of shortage, delay or pricing.

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

- **Limited number of comparable suppliers in proximity to our production facilities:** As confirmed by Frost & Sullivan, the Shagang Group is one of the major steel raw materials suppliers including the manufacture steel wire rods and is a market leader in China. There are currently only a few sizeable manufacturers operating within this region that have the production capabilities to produce raw materials that can meet our required product quality and procurement volume. Based on the above, we have been historically purchasing the majority of our raw materials for our Prestressed Materials Business from the Shagang Group.

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

- **Established supplier relationship with our Group:** Our Group has maintained a good business relationship with the Shagang Group for approximately eight years. We expect that the Shagang Group will continue its business relationship with us and our Directors are of the view that the risk of the Shagang Group terminating the supply of high carbon steel wire rods to us is remote. As a result, the likelihood that the relationship with the Shagang Group will materially adversely terminate is low.

- **Alternative suppliers:** As confirmed by Frost & Sullivan, there are alternative suppliers in the market which can supply comparable high carbon steel wire rods, and we have maintained good business relationship with some of these alternative suppliers historically. Our Directors are of the view that we would be able to procure from alternative suppliers at comparable terms and quantities. During the Track Record Period, apart from procuring high carbon steel wire rods from the Shagang Group, we also purchased high carbon steel wire rods from other major suppliers, whose scales of operations are comparable to that of the Shagang Group. Our Directors believe that we do not have any difficulty in purchasing from these alternative suppliers. As a result, we would be able to effectively mitigate our exposure to any material adverse changes to the relationship with the Shagang Group.

For the risks involved in our reliance from the Shagang Group, please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — We procure a significant portion of our raw materials from our five largest suppliers".

Inventory Control

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

Cable Business

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

Prestressed Materials Business

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

SALES AND MARKETING

Sales and marketing strategy

Our sales and marketing team plays an important role in promoting our products and sourcing business opportunities from our potential customers. Our sales and marketing team in both the Cable Business and Prestressed Materials Business are responsible for potential project tracking, liaising with existing and potential customers and contract negotiations. In addition, our sales teams are also responsible for providing after-sales support and follow up with any feedback received from our existing customers. We also proactively participate in industry seminars and conferences, and maintain communications with existing and potential customers. As at the Latest Practicable Date, we had 12 staff members and ten staff members in our sales and marketing team for the Cable Business and Prestressed Materials Business, respectively.

Cable Business

Competitive bidding

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

Project Identification

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

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

Tendering

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

The following table sets out a summary of our tenders for the Cable Business during the Track Record Period and up to the Latest Practicable Date.

	For the year ended 31 December			From 1 January 2019 to the Latest Practicable Date
	2016	**2017**	**2018**	
Number of tenders submitted	55	70	86	18
Number of contracts awarded to our Group	37	47	62	14
Success rate (%)	67.3	67.1	72.1	77.8

Pricing

We price our products based on the nature of each individual project taking into account the quantity, type and technical specifications of the cables sold, the overall project value, the complexity and type of bridge or infrastructure project, the location of the project, sufficiency of resources, the nature of and our relationship with the customer, and the cost of raw materials.

Entering into contracts

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

Material contract terms

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

Key terms	**Description**
Contract value	Generally, contract value is determined based on tender notification from our customers and the final contract value of which may be subject to further negotiation.
Product specifications	A contract usually contains product specifications of the bridge cables, such as length, stress level, types of cable, volume required and design of the cables.
Payment terms	• up to 20% of the contract value following signing of the contract • a certain percentage of the contract value for each individual batch of products inspected by and delivered to the customer (of which 5%-10% will be withheld as retention money)
Retention money (質保金)	For the majority of our projects, our customers typically require 5%-10% of the contract value as retention money. Such retention money is released to us after deducting any warranty claims, upon expiration of the warranty period and obtaining the certificate of expiration of warranty period after the completion of the construction of the bridge, which is typically one to two years.
Performance bond (履約擔保金)	Our customers typically request deposits to ensure our performance in accordance with the terms of contract. A performance bond is typically 5%-10% of the contract value and returned to us upon delivery of our products.
Warranty period	One to two years
Other terms	Delivery date, packaging requirement, product inspection criteria, place of delivery, and legally binding.

The contractual arrangement of sales contracts for our Cable business may create liquidity pressure to our business, please refer to the sections headed "Risk Factors — Risks Relating to our Business and Industry — We recorded operating cash outflows for 2017 and 2018 because our operations are working capital intensive, any insufficient levels of liquidity may adversely affect our cash flow and working capital and results of operations" and "— We may experience delays or defaults in payment of trade and retention receivables from our customers, and we have a significant mismatch between our trade receivables and trade payables turnover days, which may adversely affect our cash flow and working capital and results of operations" for details.

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

In 2016, 2017, and 2018, we recognised revenue from 99, 89 and 116 projects under our Cable Business, respectively. The following table sets out the major projects undertook by our Cable Business during the Track Record Period and up to 31 March 2019 (ranked by contract value):

					Revenue recognised			
					Year ended 31 December			**From 1 January 2019 to 31 March 2019⁽²⁾**
No.	**Name of project**	**Description of the project**	**Contract period**	**Contract value⁽¹⁾**	**2016**	**2017**	**2018**	
				(RMB'000)	*(RMB'000)*	*(RMB'000)* (unaudited)	*(RMB'000)*	*(RMB'000)*
1	Humen No. 2 Bridge (虎門二橋)	Suspension cable	December 2016 to December 2017	300,001	32,691	209,197	2,316	–
2	Guangzhou Zhongshan Jiangmen Expressway (廣中江高速公路)	Stay cable	April 2015 to November 2016	71,467	25,989	–	–	–
3	Tiger Leaping Gorge Jinsha River Bridge (虎跳峽金沙江大橋)	Suspension cable	December 2018 to September 2019	67,205	–	–	232	31,246
4	Boyang Lake No. 2 Bridge (鄱陽湖二橋)	Stay cable	September 2017 to May 2019	52,013	–	–	36,173	529
5	Egongyan Railway Bridge (鵝公岩軌道專用橋)	Suspension cable	August 2017 to December 2018	51,743	–	–	43,350	–
6	Zhaoqing Yuejiang Bridge (肇慶閱江大橋)	Stay cable	December 2015 to November 2016	39,058	18,511	77	–	–
7	Sunxi River Bridge (笋溪河特大橋)	Suspension cable	January 2016 to February 2018	36,048	9,243	20,739	1,092	–
8	Taizhou Bay Bridge (台州灣大橋)	Stay cable	July 2017 to May 2018	26,390	–	8,356	12,770	–
9	Others	Suspension and stay cable	various	less than 20,000	216,841	187,434	422,864	90,263
Total					303,275	425,803	518,797	122,038

Notes:

(1) The contract value includes value added taxes.

(2) The revenue recognised is based on unaudited management accounts.

During the Track Record Period, there were no material variation of orders and we did not encounter any loss-making projects.

Backlog

The following table sets forth the movement of backlog of our projects for our Cable Business during the Track Record Period and up to the Latest Practicable Date:

	2016		2017		2018		From 1 January 2019 to the Latest Practicable Date	
	Contract value	Number of projects	Contract value	Number of projects	Contract value	Number of projects	Contract value	Number of projects
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Opening outstanding contract value, 1 January	515,160	40	454,466	43	591,314	47	863,387	29
Newly signed contract value during the year/period	294,138	71	635,037	77	873,878	91	350,262	10
Less: Revenue recognised from contract value	354,832	68	498,189	73	601,805	109	141,564	7
Closing outstanding contract value, 31 December/Latest Practicable Date	454,466	43	591,314	47	863,387	29	1,072,085	32

Note: The number of signed contracts include contracts obtained through tendering and other methods such as contract negotiations. Outstanding contract value includes value added taxes.

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 since bridge cable projects often has a long construction period and when we gain new projects.

Based on our past experience and a review of the current progress of our backlog as at the Latest Practicable Date, we expect that all of such backlog will be cleared, and revenue will be recognised by the end of 2021. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — The backlog for our Cable Business may not be indicative of our future results of operations" in this prospectus.

Prestressed Materials Business

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

Pricing

We adopt a cost-plus basis approach when determining the price of an order. Apart from costs, our price will also take into account factors such as relationship with the customers, sales volume, sufficiency of our resources and technical requirements for the products to be supplied.

Our customers

We have a domestic and international sales network involving Chinese and overseas customers including, amongst others, Korea, Indonesia, Vietnam, Turkey and Qatar. For our Cable Business, our major customers are project companies and main contractors in bridge construction projects in China. For certain overseas sales such as sales to Korea, we sell to third parties which in turn sell our products to local project companies or contractors. For our Prestressed Materials Business, our major customers are steel material trading companies and steel materials manufacturers. For the years ended 31 December 2016, 2017 and 2018, overseas sales accounted for 4.1%, 3.8% and 2.4% of our Group's total revenue, respectively.

We generate a substantial amount of revenue from our major customers. For the years ended 31 December 2016, 2017 and 2018, our five largest customers together accounted for 55.8%, 56.7% and 39.5% of our total revenue, respectively, and our largest customer accounted for 31.3%, 20.7% and 9.5% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates, nor Shareholders who own more than 5% of the issued share capital of our Company, has any interest in our five largest customers during the Track Record Period.

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

Name	Our five largest customers and approximate percentage (%) of our sales	Approximate year(s) of business relationships with our Group	Products purchased from us	Background of the customer
Customer A	2016: 31.3% 2017: 20.7% 2018: 5.0%	Eight	Rare earth coated wires	Metallic materials trading company
Customer B	2016: 7.3% 2017: 3.2% 2018: nil	Six	Plain surface PC strands and rare earth coated wires	Metallic materials trading company
Customer E	2016: 4.8% 2017: 4.8% 2018: 4.4%	Four	Rare earth coated wires	Galvanised steel wires and other metallic materials manufacturer
Customer F	2016: 5.1% 2017: 5.6% 2018: 9.2%	Five	Galvanised steel wires and bridge cables	Metallic materials and machinery equipment trading company
Customer G	2016: 3.8% 2017: 7.1% 2018: 8.9%	Five	Galvanised steel wires	Galvanised steel wires and other metallic materials manufacturer and seller
Customer H	2016: 4.1% 2017: 7.4% 2018: 9.5%	Six	Rare earth coated wires	Metallic materials manufacturer and seller and chemical products seller
Customer I	2016: 7.3% 2017: 1.2% 2018: nil	Six	Plain surface PC strands and rare earth coated wires	Steel wires manufacturer and seller

Name	Our five largest customers and approximate percentage (%) of our sales	Approximate year(s) of business relationships with our Group	Products purchased from us	Background of the customer
Guangdong Provincial Highway Construction Co. Ltd. Humen No.2 Bridge Branch (廣東省公路建設有限公司虎門二橋分公司)	2016: 3.0% 2017: 15.9% 2018: nil	Four	Bridge cables	Bridge construction project company
Customer L	2016: nil 2017: 4.4% 2018: 5.4%	Three	Rare earth coated wires	Metallic materials manufacturer

Sales return and warranty

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

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

QUALITY CONTROL

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

Quality control on raw materials

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

Quality control on production

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

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

RESEARCH AND DEVELOPMENT

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

For our Cable Business, we have licensed two patented technologies and know-how to our customers as part of the conditions in obtaining the tender. For these projects, we generally grant access to our customers and their authorised persons to use and apply our patented technologies and know-how on the design of the bridge cables free of charge provided that they keep our technologies and know-how on a confidential basis. Please refer to the paragraph headed "Risk Factors — Risks Relating to our Business and Industry — Our proprietary and licensed technologies may not be adequately protected, and our right to certain technologies could be challenged" for the risk involved in these licensed technologies.

Research and development team and facilities department

As at the Latest Practicable Date, our research and development team had a total of 29 staff, and depending on the complexity of the research project, we may invite members from the production and engineering department possessing extensive experience in the prestressed materials industry or bridge cable manufacturing industry to participate in the research. We focus our research and development activities on projects that would enable us to branch out our products into new desired markets such as new products or product enhancement. A majority of our research and development team members obtained post-secondary education, with some of them holding master's degrees or doctorate's degrees in engineering or other subjects relating to the construction of bridge cables or the manufacture of prestressed materials. Due to our strong capabilities in product know-how within the bridge cable manufacturing and prestressed materials, our staff were often invited by industry organisations to participate in devising industry standards.

Since the products manufactured by our Cable Business are usually tailor made to fit the needs of each structure, different technical requirement or know-how will be required for each project, depending on the geographical need for each structure such as the geological and appearance requirement. As a result, we would constantly need to keep our technology know-how and technology portfolio up-to-date in order to compete with other competitors in order to increase our tender success rate. Further, due to the increase in the wider application of bridge cable, more specialised technical know-how will be required for cable manufacturers. For example, in 2018, we had completed a project in supplying cables for an offshore fisheries, in which different technology know-how was required in terms of anti-corrosion and the product requirements were different from previous bridge projects. Please refer to the section headed "Business — Intellectual Property" for description of some of our patented technologies.

In our research centres, we have laboratories and testing equipment for various testing functions to test all our research outcomes. Furthermore, our research and development capabilities have gained us various awards among this industry, in particular in the manufacture of bridge cables. For certain of our successful research outcomes, we have applied for or registered patents in order to protect our research effort and all the research outcome developed by of the Group's research and development team are owned by the Group. Please refer to the sections headed "Business — Award and Recognitions" and "Business — Intellectual Property" for more details.

The table below sets out the details of some recent research and development projects:

Project	Business segment	Costs incurred/ Expected cost (RMB'000)	Commencement date/Expected commencement date	Completion date/Expected completion date	Use of research outcomes
Anti-fatigue self-anchored stay cable enhancement	Cable Business	7,549	January 2018	December 2018	Applied on a stay cable bridge project in 2018
Pre-shaping suspension cable enhancement	Cable Business	7,117	January 2018	December 2018	For potential tender
Galvanised steel wires stay cable enhancement	Cable Business	8,485	January 2018	December 2018	Applied on a stay cable bridge project in 2018
Suspension bridge cable enhancement	Cable Business	7,663	January 2018	December 2018	For potential tender
Zinc-galvanised prestressed steel wires enhancement	Prestressed Materials Business	6,342	January 2018	December 2018	For potential tender
Galvanisation machine enhancement research	Prestressed Materials Business	10,000	January 2019	December 2019	For potential tender
Anti corrosive cable technology	Cable Business	10,000	January 2019	December 2019	For potential tender

Recognitions

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

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

Collaboration with tertiary institutions

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

Based on the research cooperation agreement with Jiujiang Institute, the cooperation is on a no-fee basis, where the Group provides access to our technical laboratories to the Jiujiang Institute's research team and Jiujiang Institute provides the research and technical consultant services for the Group's bridge cable projects. The ownership of the research outcome will depend on each specific project and the involvement of each party.

The research cooperation with Tongji University is also on a no-fee basis, both parties are cooperates to explore new know-how and technologies regarding bridge cable projects. It is agreed that students of the university can participate in any research projects initiated by the Group and all research outcomes will be owned by the Group.

Research and development expenses

We make significant investments in research and development, particularly in connection with the bridge cables application. For the years ended 31 December 2016, 2017 and 2018, our research and development expenses amounted to RMB49.1 million, RMB60.2 million and RMB53.7 million, representing 4.5%, 4.6% and 3.9% of our revenue for the respective years. However, during the Track Record Period, we did not recognise any intangible assets as the research and development expenses incurred did not meet the criteria for the recognition of development expenditure under the Hong Kong Accounting Standard 38 because, among other reasons, it was not feasible to distinguish and measure the costs attributable to intangible assets between the research phase and development phase.

COMPETITION

Cable Business

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

Prestressed Materials Business

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

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

AWARD AND RECOGNITIONS

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

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

Year	Award/Recognition	Issuing Authority
2017	State Intellectual Property Competitive Enterprise (國家知識產權優勢企業)	State Intellectual Property Office
2018	Award in contributing innovation excellence (標準創新優秀貢獻獎)	People's Government of the Zhejiang Province
2019	Second class prize of Invention Award (發明創業成果二等獎)	China Invention Association

Prestressed Materials Business

Year	Award/Recognition	Issuing Authority
2007	China Excellent Corporate Citizenship (中國優秀企業公民)	Chinese Excellent Citizen Working Committee
2007	Excellent Technological New Product Certificate of Jiangxi Province (江西省優秀科技新產品)	Science and Technology Division of Jiangxi Province
2008	Anhui Province Well-known Brand (安徽名牌產品)	Anhui Province Quality Control Bureau
2008	Jiangxi Province Well-known Brand (江西省名牌)	Jiangxi Well-known Brand Strategy Committee
2009	Foreign-invested Advanced Technology Enterprises (外商投資先進技術企業)	Ministry of Commerce of Anhui Province
2009	Independent Innovation Product Certificate of Jiangxi Province (江西省自主創新產品證書)	Science and Technology Division of Jiangxi Province
2010	Jiangxi Provincial Private High-tech Enterprise (江西省省級民營科技企業)	Science and Technology Division of Jiangxi Province
2011	Anhui Province Famous Trademark (安徽省著名商標)	Anhui Provincial Government
2012	Certificate of National Torch Program Project (國家火炬計劃項目證書)	National Science and Technology Bureau

Year	Award/Recognition	Issuing Authority
2013	Second Class Prize of The Scientific and Technological Progress of Jiangxi Province (江西省科技進步二等獎)	Jiangxi Provincial Government
2014	Advanced Quality Management Enterprise of Jiagnxi Province (江西省質量管理先進企業)	Jiangxi Province Quality Control Bureau
2014	Second class prize for science advancement (科學技術進步二等獎)	China Highway and Transportation Society
2015	New Key Product of the Jiangxi Province (江西省重點新產品)	Science and Technology Bureau of the Jiangxi County
2017	Establishment of Postdoctoral Programme (博士後科研工作站)	Anhui Province Human Resource and Social Security Bureau
2017	Certificate of Recognition of High New Technology Product (高新技術產品認定證書)	Anhui Provincial Technology Bureau
2017	Technology Invention Award (江西省技術發明獎)	Jiangxi Provincial Government
2018	Jiujiang Industrial Enterprise Top 30 (九江市工業企業30強)	Jiujiang Entrepreneur Association Jiujiang Enterprise Information Committee
2018	Second class prize of Invention Award (發明創業成果獎二等獎)	China Invention Association
2018	Maanshan Enterprise Top 100 (2018年馬鞍山企業百強)	Maanshan Enterprise (Entrepreneur) Federation

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

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

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

Project

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

PROPERTIES

Self-owned Properties

Land

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

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

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

Buildings

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

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

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

As at 31 December 2018, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

Leased properties

As at the Latest Practicable Date, we leased a total of five properties with an aggregate GFA of 1,778.6 sq.m. in China. The leased properties are mainly used as offices. All leased properties were leased from Independent Third Parties. Some of our leased properties with an aggregate GFA of 1,190.0 sq.m. have not completed the filing and registration formalities to register the lease agreements with the relevant government authorities as the lessors failed to file the relevant registrations. In addition, as confirmed with the PRC Legal Advisers, certain lease agreements were unable to be registered as we only rented certain portions of the property. We will take all practicable and reasonable steps to ensure that the unregistered leases are registered if possible. As advised by our PRC Legal Advisers, despite the leases not having been registered with the relevant government authorities, they remain valid and legal under the current PRC laws and regulations. According to the PRC Legal Advisers, there will be no material financial and operational impact on the Group in respect of the lease agreements which have not been registered. According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), we may be subject to an administrative penalty ranging from RMB1,000 to RMB10,000 for the failure to register each of the relevant lease agreements within a prescribed time period. As at the Latest Practicable Date, we had not been subject to any administrative penalty for the failure to file and register the lease agreements.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we are the registered owner of 151 patents. As at Latest Practicable Date, we have 151 registered patents (109 from our Cable Business and 42 from our Prestressed Materials Business) and two pending patent applications from our Cable Business, of which three are registered overseas. Some of our patented technologies include the following:

Cable Business

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

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

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

- **Smart cables (智能索).** First to introduce smart cable by installing optic fibre in bridge cables for real time tracking and monitoring the conditions of the bridge cables in China.

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

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

Prestressed Materials Business

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

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

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

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

For further details of our intellectual property rights, please refer to the section headed "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights" in Appendix IV to this prospectus.

INTERNAL CONTROL AND RISK MANAGEMENT

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

In preparation for the Listing, we have engaged an external independent internal control advisory firm to carry out an internal control review in September 2017 (and updated in November 2018) according to the agreed scope, which covers (i) entity-level controls and business process controls over financial closing and reporting, sales, purchases, inventory, treasury, and general information technology controls; and (ii) a report to our Group on factual findings and recommendations for improvement on our internal control system over the abovementioned processes and procedures. Based on its review, no material deficiencies were found during their review. As at the Latest Practicable Date, we have implemented the relevant internal control measures based on the recommendation of the external internal control consultant. After considering the enhancement measures implemented and the result of such follow-up review, our Directors and the external independent control consultant are satisfied that our internal control system is adequate and effective for our current operational environment.

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

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

EMPLOYEES

As at the Latest Practicable Date, we had a total of 425 employees, of which 241 were employed by our Cable Business and 184 by our Prestressed Materials Business. The following table sets out the breakdown of our employees number by function:

Function	**Cable Business**	**Prestressed Materials Business**
Production and engineering	141	102
Management and administration	50	46
Sales and marketing	12	10
Procurement and warehousing	15	4
Research and Development	13	16
Quality control	10	6
Total	241	184

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

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

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

Social Insurance and Housing Providence Funds Contributions

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

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

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

ENVIRONMENTAL PROTECTION

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

We have implemented comprehensive environmental protection measures to minimise the impact of our production processes on the environment. We have a comprehensive internal measures in order to govern the management of our treatment of waste, and environmental protection. As part of our business development and future plans to cope with our expansion in production scale and purchase of additional production equipment, we intend to purchase additional environmental protection facilities such as waste treatment facilities including our waste water treatment equipment in order to minimise the impact of our production process and continue to comply with the existing laws and regulation in relation to environmental protection. Please refer to the section headed "Future Plans and Use of Proceeds" for details. As advised by our PRC Legal Advisers, our existing environmental protection facilities have obtained the relevant operation permissions as required as at the Latest Practicable Date, under the relevant laws and regulations on environmental regulations, and as at the Latest Practicable Date, as confirmed by the relevant competent government authorities, we were not subject to any administrative penalties in relation to environmental protection matters.

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

OCCUPATIONAL SAFETY AND HEALTH MATTERS

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

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

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

INSURANCE

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

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

LEGAL PROCEEDINGS

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

INTERNATIONAL TRADE REGULATIONS

We may be subject to international trade regulations such as anti-dumping duties on tariffs that may be imposed on our products. For example, in 2009, the European Commission imposed anti-dumping measures on pre-and post-stressed wires and wire strands of non-alloy steel originated from China in order to protect the prestressed materials manufacturers within the European Union. Similar anti-dumping duties have been imposed in the United States for prestressed wires and wire strands imported into the United States originating from China. Since April 2018, the United States has been in a trade dispute with China and imposed various tariffs on steel and aluminium imports from China which may affect our overseas sales if we sell to the U.S. According to Frost & Sullivan, it is forecasted that these international trade regulations will have limited impact on Chinese bridge cable and prestressed materials manufacturers as these manufacturers mainly focused in selling within the Chinese market. However, these international trade regulations may lead to downward pressure to the overall Chinese economy, thus affecting the overall investment sentiment in infrastructure construction. For the years ended 31 December 2016, 2017 and 2018, 4.1%, 3.8% and 2.4% of our total revenue, respectively, were derived from overseas customers, which were mainly located in Asian countries, which did not impose any tariffs and anti-dumping duties on our products. Based on the geographic distributions of our sales during the Track Record Period, we believe that existing international trade regulations will not have a material impact on us. For the risks involved in relation to international trade regulations, please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — We are subject to risks associated with international trade regulations that may be imposed on our products".

REGULATORY COMPLIANCE

The below sets out the major licences held by our major operating subsidiaries as at the Latest Practicable Date.

Licence/certificate	Grant date	Expiry date
Cable Business		
Port Business Licence (港口經營許可證)	August 2017	September 2020
Production Safety Permit (安全生產許可證)	October 2018	October 2021
Prestressed Materials Business		
National Industrial Product Production Permit (全國工業產品生產許可證)	March 2015 March 2016	November 2020 March 2021
Production Safety standardisation certificate (安全生產標準化證書)	November 2016	November 2019

As at the Latest Practicable Date, as advised by our PRC Legal Advisers, each of our PRC subsidiaries had obtained the requisite governmental licences, permits and certifications and renewals thereof which are necessary for its operations, and had complied, in all material respects, with all applicable laws and regulations. We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire.

OUR CONTROLLING SHAREHOLDERS

Upon the Listing, Dr. Tang and Elegant Kindness will be the Controlling Shareholders of our Company under the Listing Rules holding approximately 63.65% of Shares immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the options under the Share Option Scheme).

Please refer to the section headed "Directors, Senior Management and Employees" in this prospectus for further information of Dr. Tang. Elegant Kindness is an investment holding company with no business operation.

INFORMATION OF OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

Excluded Business

Our Group principally engages in the Cable Business and the Prestressed Materials Business. As at the Latest Practicable Date, other than the businesses of the Cable Business and the Prestressed Materials Business carried out by the Group, our Controlling Shareholders and their close associates also had interests in other companies as mentioned below (collectively, the "**Excluded Business**"). These companies engage in businesses of different sectors from our Group, and brief details of each of the companies are summarised as follows:

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Principal activities of company	Business scale of company
Shanghai Ossen Investment	98% by Dr. Tang(1)	Investment holding and trading of commodity steel products(2)	• As at 31 December 2017, the company's net asset value was approximately RMB352.1 million and the profits before tax for the year ended 2017 was approximately RMB0.3 million • As at the Latest Practicable Date, the company currently has 8 employees

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Principal activities of company	Business scale of company
Innovation Material Research Institute	52% by Shanghai Ossen Investment and 48% by Dr. Tang	Research institute engaged in materials research and trading of commodity steel products(2)	• As at 31 December 2017, the company's net asset value was approximately RMB242.3 million and the profits before tax for the year ended 2017 was approximately RMB19.5 million • As at the Latest Practicable Date, the company currently has 14 employees
Ossen Group PRC	40% by Shanghai Ossen Investment, 30% by Innovation Material Research Institute, and 30% by Dr. Tang	Investment holding and trading of chemical products	• As at 31 December 2017, the company's net asset value was approximately RMB832.2 million and the profits before tax for the year ended 2017 was approximately RMB6.7 million • As at the Latest Practicable Date, the company currently has 16 employees

Name of company	Approximate percentage equity holding of our Controlling Shareholders and their close associate(s)	Principal activities of company	Business scale of company
Shanghai Push Medical Device Technology Co., Ltd.* (上海普實醫療器械科技有限公司) ("**Push Medical Device**")	42% by Dr. Tang(3)	Developing the technology of, manufacturing, sales, importing and exporting of medical equipment	• The company's net asset value as at 31 December 2017 was approximately RMB30.9 million and the profits before tax for the year ended 2017 was approximately RMB0.4 million • As at the Latest Practicable Date, the company currently has 29 employees
Shanghai Aosheng Industrial Co., Ltd.* (上海奧盛實業有限公司)	51% by Ossen Group PRC and 49% by Dr. Tang	Investment holding company	• As the company is an investment holding company, it does not have any business operations nor carry out any trading activities
Shanghai Aosheng Aviation Technology Co., Ltd.* (上海奧盛航空科技有限公司)	51% by Ossen Group PRC and 49% by Shanghai Aosheng Industrial Co., Ltd.* (上海奧盛實業有限公司)	Investment holding company	• As the company is an investment holding company, it does not have any business operations nor carry out any trading activities
Shanghai JES Aerodynamic Technology Co., Ltd.* (上海佳士航空動力科技有限公司) ("**JES Aerodynamic**")	100% by Shanghai Aosheng Aviation Technology Co., Ltd.* (上海奧盛航空科技有限公司)	Design, developing and sales of aviation equipment	• The company commenced its business in February 2018 and it has very minimal business trading activities as of the date of this prospectus • As at the Latest Practicable Date, the company currently has 12 employees

Notes:

(1) Remaining 2% held by Mr. Zhou Xufeng, one of our executive Directors.

(2) The steel products traded by Shanghai Ossen Investment and Innovation Material Research Institute are commodity products sold to trading companies, which are different from the highly processed prestressed materials products manufactured and supplied by our Group.

(3) Remaining 58% held by individual shareholders engaged in the management of that company and not involved in the management of our Group.

As shown above, the principal business of each company in the Excluded Business differs from that of our Group, which principally engages in the Cable Business and the Prestressed Materials Business. Due to differences in principal business activities, the Excluded Business is not in competition directly or indirectly with those of our Group.

Our Directors have considered that it is not in the best interest of our Group to include the Excluded Business in our Group for the purpose of Listing in order for our Group to focus on the principal businesses of the Cable Business and the Prestressed Materials Business.

Dr. Tang's role in the Excluded Business and our Group

Dr. Tang is the chairman of our Board and one of our executive Directors, and also has an executive role in the Excluded Business (other than Shanghai Ossen Investment and Innovation Material Research Institute). However, each of the operating companies in the Excluded Business has its own board and management team.

The involvement and time required for Dr. Tang in the three operating companies in the Excluded Business where he has an executive role, namely, Ossen Group PRC, Push Medical Device and JES Aerodynamic, is limited. Dr. Tang is mainly responsible for strategic or future development planning of these companies and the day-to-day management of these companies is primarily handled by other members of their respective management team. Dr. Tang expects that the business operation model of these companies will remain substantially the same going forward.

On the other hand, our Company has a Board including three other executive Directors, and a senior management team which are independent from that of the Excluded Business, except for Mr. Zhou Xufeng, an executive Director of our Group and who is also a director of Ossen Group PRC. Accordingly, although Dr. Tang will continue to fulfil an executive function in both our Group and the aforementioned Excluded Business, each of our Group and the Excluded Business has its own management team. Both our Group and the Excluded Business have historically been managed in this manner and Dr. Tang considers that he will continue to have sufficient capacity and time to discharge his duties as a director in both groups.

NO COMPETITION

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge, belief and information, none of our Controlling Shareholders, our Directors and none of their respective associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that our Group can function, operate and carry on our business independently from our Controlling Shareholders and their respective associates based on the following reasons:

Independence of management and directorship

Our Company has a Board and members of senior management that function independently from our Controlling Shareholders and their respective associates. Our Board is comprised of four executive Directors and three independent non-executive Directors. Our senior management consists of four members. On the basis of the following reasons, our Directors believe that our Directors and members of our senior management are able to manage our business independently from our Controlling Shareholders:

(i) with three independent non-executive Directors out of a total of seven Directors in our Board, there will be a sufficiently independent view within our Board to counter-balance any situation involving a conflict of interest and protect the interests of our independent Shareholders;

(ii) all our executive Directors (other than Dr. Tang) and members of our senior management are full-time employees of our Group and have, for the entire Track Record Period, undertaken senior management supervisory responsibilities in our business. This ensures the independence of the daily management and operations of our Group from those of our Controlling Shareholders;

(iii) instances of actual or potential conflict have been minimised (by virtue of the Deed of Non-Competition);

(iv) each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interests to affect the performance of his/her duties as a Director;

(v) all of the businesses that are related to the operation of Cable Business and Prestressed Materials Business held by our Controlling Shareholders have been consolidated into our Group as part of our Reorganisation. Therefore, there is no competition that would adversely affect the management independence of our Group; and

(vi) a number of corporate governance measures are in place to avoid any potential conflict of interest between our Company and our Controlling Shareholders, and to safeguard the interests of our independent Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders — Corporate Governance Measures".

Operational independence

Our Company makes business decisions independently. On the basis of the following reasons, our Directors consider that our Company will continue to operate independently from our Controlling Shareholders and other companies controlled by our Controlling Shareholders:

(i) our Company does not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities;

(ii) our Group is the holder of all relevant licences material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;

(iii) our Company has our own administrative and corporate governance measures;

(iv) our Company has established a set of internal control procedures to facilitate the effective operation of our business;

(v) we engage Independent Third Parties for the provision of all external services required by our Group; and

(vi) we do not rely on our Controlling Shareholders for access to suppliers and customers.

Financial independence

We have our own finance department and independent accounting systems. In addition, our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our daily operations.

During the Track Record Period, Dr. Tang and his related parties have provided guarantees to facilitate us to obtain credit facilities from various financial institutions. Please refer to Note 28 of the Accountants' Report in Appendix I to this prospectus. In addition, during the Track Record Period, the Group has given limited guarantees to various banks to secure banking facilities granted to certain related parties which have all been released as of 31 December 2018. Please refer to Note 39 of the Accountants' Report. As at 31 March 2019, the amount of utilised banking credit facilities, which comprise bank borrowings, bank acceptance bills, guarantee letters and letter of credits, of our Group was approximately RMB1,195.8 million, of which approximately RMB132.6 million was secured by guarantees provided by Dr. Tang and his related parties. Save for the amount of approximately RMB122.8 million to be repaid using our net proceeds from the Global Offering within six months after the Listing, the remaining credit facilities guarantee provided by Dr. Tang and his related parties will be settled or released prior to or upon the Listing. For details of the settlement of the aforesaid credit facilities, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. Our Group has already made preliminary arrangements for the repayment of the loans upon receiving such net proceeds, including agreeing the repayment with the lenders and preliminary arrangements for the remittance of the funds into China to make the repayment.

The period of up to six months after Listing is simply to allow for these remittance logistics. Given that (i) these RMB122.8 million of facilities comprise only a relatively small portion of the total banking facilities granted to our Group as of 31 March 2019; (ii) our Group has adopted the above repayment arrangements and has given an irrevocable instruction to our proposed recipient bank for receiving the Listing proceeds to apply the net proceeds to repay the said RMB122.8 million of facilities; (iii) our Group will settle the remaining credit facilities guaranteed by Dr. Tang and his related parties or replace the guarantees with corporate guarantees provided by our Group's entities prior to or upon Listing; and (iv) has been able to obtain financing without credit support from Dr. Tang and his related parties during the Track Record Period, our Board is of the view that our Group would be able to obtain its own financing to support its business operations without undue reliance on our Controlling Shareholders, their controlled entities or their respective associates at the time of and after Listing.

During the Track Record Period, we had unsecured and interest free borrowings from Dr. Tang. Please refer to Note 29 of the Accountants' Report in Appendix I to this prospectus for details. Our Group plans to use part of the net proceeds from the Listing reserved for working capital purposes to repay these loans upon Listing.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders as covenantors (each a "**Covenantor**", collectively, the "**Covenantors**") executed the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Main Board; or (ii) the date on which the Covenantors cease to be a Controlling Shareholder:

(i) Non-competition

He/she/it will not, and will use his/her/its best endeavours to procure any Covenantor, his/her/its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (the "**Controlled Company**") not to, either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Hong Kong, the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the Cable Business and the Prestressed Materials Business (the "**Restricted Business**").

The Deed of Non-Competition does not apply if the Controlled Persons and Controlled Company in aggregate own any interest no exceeding five per cent of the issued shares in any company conducting any Restricted Business (the "**Relevant Company**"), and the Relevant Company is listed in any recognised exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that (i) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Company in aggregate at any time; and (ii) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her/its shareholding in the Relevant Company.

(ii) New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own a Restricted Business (the "**New Business Opportunity**"):

(a) he/she/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and

(b) he/she/it shall not, and shall procure that his/her/its Controlled Persons or Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/her/its Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptable Notice**"); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Director) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business and such decisions will be made by our Board (including our independent non-executive Directors). The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

In order to ensure the performance the above non-competition undertakings, the Covenantors will:

(i) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by the non-interested Directors), and shall not be counted towards the quorum for such meeting;

(ii) as required by our Company, provide all information necessary for our independent non-executive Directors for conducting annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;

(iii) procure our Company to disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it and, where applicable, the reason(s) why any New Business Opportunity referred to the Company by the Controlling Shareholders was not taken up;

(iv) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the Listing Rules; and

(v) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under this Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (i) the Stock Exchange granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (ii) the Listing and dealings in the Shares on Main Board taking place.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following enhanced corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders as a whole:

(i) our Directors will comply with our Articles of Association, which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her respective close associates is materially interested;

(ii) our Director will ensure that any material conflict or potential conflict of interests involving the Controlling Shareholders, our Directors and their respective close associates will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;

(iii) in respective of the business opportunity involving any material potential conflict of interests with the Controlling Shareholders, our Directors or their respective close associates, our independent non-executive Directors will review all information and documents in respect of the same;

(iv) we also have an established compliance department headed by Ms. Zhang Wei Wen, our Director, to identify any material conflict or potential conflict of interests involving the Controlling Shareholders, our Directors or their respective close associates and conduct a review on the effectiveness of such internal control measures on an half-yearly basis to ensure due compliance with the Deed of Non-competition and execution of our conflict check mechanism;

(v) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition in accordance with the Listing Rules;

(vi) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-Competition in the annual reports or our Company or by way of announcement;

(vii) all connected transactions between our Company and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;

(viii) our Company has appointed a compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and internal control; and

(ix) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "**CG Code**"), our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in our annual report.

BOARD OF DIRECTORS

Our Board is responsible for and has general power over the management and conduct of our business. As at the Latest Practicable Date, it consisted of seven Directors, including four executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

The table below sets forth information regarding our Board of Directors.

Name	Age	Position	Time of joining the Group	Date of appointment as a Director	Principal responsibility
Executive Directors					
Dr. Tang Liang (湯亮)	51	Executive Director and chairman of the Board	February 2002	26 April 2017	Overall management, corporate policy making and strategic planning of our Group's business operations
Mr. Zhou Xufeng (周旭峰)	53	Executive Director and chief executive officer of our Company	September 2010	12 November 2018	Overall management, financial operation, internal management of the Group
Ms. Zhang Weiwen (張偉文)	52	Executive Director	December 2010	12 November 2018	Overseeing the support operations and internal administration of the Group
Mr. Ni Xiaofeng (倪曉峰)	54	Executive Director	December 2007	12 November 2018	Overall management, financial operation, internal management of the Group
Independent non-executive Directors					
Ms. Pan Yingli (潘英麗)	63	Independent non-executive Director	24 April 2019	24 April 2019	Providing independent judgement on the Group's strategy, performance, resources and standard conduct
Mr. Chen Dewei (陳德偉)	63	Independent non-executive Director	24 April 2019	24 April 2019	Providing independent judgement on the Group's strategy, performance, resources and standard conduct
Mr. Zhang Bihong (張弼弘)	43	Independent non-executive Director	24 April 2019	24 April 2019	Providing independent judgement on the Group's strategy, performance, resources and financial operations

Executive Directors

Dr. Tang Liang

Dr. Tang Liang (湯亮) ("**Dr. Tang**"), aged 51, is an executive Director and the chairman of the Board. Dr. Tang was appointed as our Director on 26 April 2017 and re-designated as an executive Director and chairman of the Board on 10 December 2018 respectively. Dr. Tang is primarily responsible for overall management, corporate policy making and strategic planning of our Group's business operations.

Dr. Tang has more than 8 years of experience in Cable Business and 14 years of experience in the Prestressed Materials Business. Prior to joining our Group, Dr. Tang first worked as an officer of the enterprise management office at Baosteel Group Shanghai Ergang Co., Ltd.* (寶鋼集團上海第二有限公司) from July 1988 to March 1993 and then promoted and worked as the deputy director of the enterprise management office from March 1993 to November 1994. He then served as the deputy head of the enterprise administrative division of the Shanghai Municipal Metallurgical Industry Bureau (上海市冶金工業局) from November 1994 to May 1998. From May 1998 to May 2001, Dr. Tang served as an officer of the China Association of Social Workers (中國社會工作聯合會), previously known as China Union of Social Workers* (中國社會工作協會). Thereafter, Dr. Tang served as the general manager of Innovation Material Research Institute from May 2001 to April 2004 and since April 2004, Dr. Tang has served as the president of Ossen Group PRC.

Dr. Tang currently holds positions at the subsidiaries of our Group as follows:

Name of subsidiaries	Position	Duration of Tenure
Ossen Group (Asia)	Director	February 2002 – present
Topchina	Director	November 2004 – present
Ossen (Jiujiang)	Director	April 2005 – present
Ossen Innovation Materials	Chairman of the board of directors	December 2007 – present
Ossen Innovation Materials Group	Director	April 2010 – present
Ossen Innovation[(1)]	Chairman of the board of directors	August 2010 – present
Shanghai Pujiang	Chairman of the board of directors	March 2012 – present
Ossen Group HK	Director	September 2016 – present
Acme Innovation	Director	May 2018 – present
Top Innovation	Director	May 2018 – present
Shanghai Xiong Ao	Chairman of the board of directors	June 2018 – present

Note:

(1) Ossen Innovation is a company listed on NASDAQ (stock code: OSN).

Dr. Tang has also been appointed as the chairman of the board of directors of Ossen Innovation, a company listed on NASDAQ (stock code: OSN) from August 2010 to September 2017.

Dr. Tang previously received awards and held or currently holds positions from or at various organisations as follows:

Name of organisations	Award	Year of award
CPC Shanghai Municipal Committee Organisation Department* (中共上海市委組織部) and Shanghai Human Resources and Social Security Bureau* (上海市人力資源和社會保障局)	Shanghai Leader for the year of 2009* (2009年上海領軍人才)	January 2010
United Front Work Department of the Central Committee of the Communist Party of China (中國共產黨中央委員會統一戰綫工作部) and the All-China Federation of Industry and Commerce (中華全國工商業聯合會)	Top 100 Outstanding Chinese Private Entrepreneurs at the 40th Anniversary of China's Reform and Opening-up* (改革開放40年100位最傑出的人物)	October 2018

Name of organisation	Position	Duration of Tenure
National Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議全國委員會)	Member of the 12th National Committee of the Chinese People's Political Consultative Conference	March 2013 – March 2018
All-China Chamber of Industry and Commerce (中國民間商會)	Vice President	November 2017 – November 2022
National People's Congress of the PRC (中華人民共和國全國人民代表大會)	Member of the 13th National People's Congress	March 2018 – March 2023

Dr. Tang graduated from Shanghai University in the PRC, previously Shanghai University of Technology, with a Bachelor's degree in Metallurgy and Materials Engineering (Metal Pressure Processing discipline) in July 1988. He then obtain a Master of Business Administration degree jointly organised by Peking University in the PRC and Fordham University in the USA in May 2002, and obtained a Doctoral degree in World Economics from East China Normal University in the PRC in July 2007.

Dr. Tang was a director, legal representative, general manager and/or legal representative of the following companies which were incorporated in Hong Kong or in the PRC and were dissolved by way of deregistration, and the relevant details are as follows:

Company name	Place of incorporation	Remark
Beijing Zhongdian Ossen Mobile Communication Technology Company Limited* (北京中電奧盛移動通信科技有限公司)	PRC	Dr. Tang was the vice chairman of this company, which was dissolved by way of deregistration in the PRC on 29 October 2008 as this company ceased to carry on any business. As confirmed by Dr. Tang, this company was solvent at the time when it was deregistered and he is not aware of any actual or potential claim that has been or will be made against him or this company as a result of such deregistration.
Shanghai Jingxin Investment Company Limited* (上海京新投資有限公司)	PRC	Dr. Tang was an executive director, the general manager and the legal representative of this company, which was dissolved by way of deregistration in the PRC on 29 June 2011 as this company ceased to carry on any business. As confirmed by Dr. Tang, this company was solvent at the time when it was deregistered and he is not aware of any actual or potential claim that has been or will be made against him or this company as a result of such deregistration.
Ossen Group Co., Limited (奧盛集團有限公司)(1)	Hong Kong	Dr. Tang was the director of this company. This company was dissolved by way of deregistration in Hong Kong on 29 June 2012. As confirmed by Dr. Tang, the said company was dormant, solvent and had no trading activity at the time when it was deregistered and he is not aware of any actual or potential claim that has been or will be made against him or this company as a result of such deregistration.

Note:

(1) Ossen Group Co., Limited (奧盛集團有限公司) had the same name as Ossen Group HK.

Mr. Zhou Xufeng

Mr. Zhou Xufeng (周旭峰) ("**Mr. Zhou**"), aged 53, is an executive Director and chief executive officer of our Company. Mr. Zhou was appointed as our Director on 12 November 2018 and re-designated as an executive Director and chief executive officer of the Company on 10 December 2018 respectively. Mr. Zhou is primarily responsible for overall management, financial operation, internal management of the Group.

Mr. Zhou has more than 25 years experience in the bridge cable industry. Prior to joining our Group, Mr. Zhou worked in Shanghai Machine Tools Plant Company Limited* (上海機床廠有限公司), previously known as Shanghai Machine Tools Plant* (上海機床廠) as an office manager from September 1989 to May 2004.

From May 2004 to November 2010, he served as the chief executive officer of Ossen Group PRC and since May 2004, he has been its director.

Mr. Zhou previously held or currently holds positions at the subsidiaries of our Group as follows:

Name of subsidiaries	Position	Duration of Tenure
Shanghai Pujiang	Director	September 2010 – present
	General manager	December 2010 – present
	Chairman of the board of directors	December 2010 – March 2012
Zhejiang Pujiang	Director	December 2010 – May 2012
Shanghai Pujiang Cable Installation Engineering	Director and general manager	July 2011 – March 2012

Mr. Zhou graduated from Shanghai Television University with a diploma in Business Administration in July 2005.

Ms. Zhang Weiwen

Ms. Zhang Weiwen (張偉文) ("**Ms. Zhang**"), aged 52, was appointed as our Director on 12 November 2018 and re-designated as an executive Director of our Company on 10 December 2018. Ms. Zhang is primarily responsible for overseeing the support operations and internal administration of the Group.

Ms. Zhang has more than 15-year experience in administrative management. Prior to joining our Group, Ms. Zhang worked as a secretary to the general manager of Shanghai Ezaki Glico Foods Co., Ltd. (上海江崎格力高食品有限公司), previously known as Shanghai Glico Foods Co., Ltd. (上海格力高日清食品有限公司), from October 1997 to November 1999. She then worked as an executive assistant to the general manager of SINKO Air Conditioning Equipment Co., Ltd. (上海新晃空調設備股份有限公司) from December 1999 to July 2010. Since November 2010, she has then been employed as an Administrative Manager of Ossen Group PRC. She joined the Group as and has been director of Shanghai Pujiang since December 2010.

Ms. Zhang obtained a Degree of Master in Fisheries Science from Tokyo University of Fisheries in March 1994.

Mr. Ni Xiaofeng

Mr. Ni Xiaofeng (倪曉峰) ("**Mr. Ni**"), aged 54, was appointed as our Director on 12 November 2018 and re-designated as an executive Director of our Company on 10 December 2018. Mr. Ni is primarily responsible for overall management, financial operation, internal management of the Group.

Mr. Ni has more than 20 years experience in the prestressed materials industry. Prior to joining the Group, Mr. Ni worked at Shanghai Machinery Manufacture Art And Craft Institute Company Limited* (上海市機械製造工藝研究所有限公司), previously known as Shanghai Machinery Manufacture Art And Craft Institute* (上海機械製造工藝研究所), as an engineer specialising in metal materials and heat processing in November 1993 and was later promoted as a production manager from January 1995 to October 1999.

From June 2001 to December 2010, Mr. Ni worked as the technical director of Innovation Material Research Institute. Since December 2007, Mr. Ni has been appointed as a director of Ossen Innovation Materials. He also served as its deputy general manager from December 2007 to January 2011, and was promoted to its general manager since January 2011. Since July 2009, Mr. Ni has also been appointed as a director of Ossen (Jiujiang).

Mr. Ni has remarkable achievements and accomplishments in respect of his specialisation in metal materials engineering. Mr. Ni received the Shanghai Technology Leader* (上海市科技標兵) award in October 2008. He also participated in the editing and reviewing of several practical guidebooks, including "Simplified Aluminium Alloy Manual*" (《簡明鋁合金手冊》), and "Metallographic Analysis Theory and Techniques*" (《金相分析原理及技術》). His essays about manufacturing of zinc-coated strands for large-span cable-stay bridges and the research and development of zinc-coated wires for cables of large-span bridges were awarded the second prize (二等獎) and the first prize (一等獎) by China Metal Industry Techniques Exchange Society* (全國金屬製品行業技術信息交流會) in May 2011 and 2012 respectively.

Mr. Ni graduated from University of Science And Technology Beijing with a Bachelor's degree in Metal Materials Science and Engineering in December 1989.

Independent non-executive Directors

Ms. Pan Yingli

Ms. Pan Yingli (潘英麗) ("**Ms. Pan**"), aged 63, was appointed as an independent non-executive Director on 24 April 2019. Ms. Pan is responsible for providing independent judgement on the Group's strategy, performance, resources and standard conduct.

Ms. Pan worked as a lecturer in Economics at East China Normal University from July 1984 to December 1990. She then worked as its associate professor in Finance at from January 1991 to December 1993 and has been promoted to its professor in Finance from January 1994 to October 2005, during which Ms. Pan also served as a tutor of doctorate candidates in Finance from January 1996 to October 2005 and has been appointed as its tenured professor since December 2002.

Since November 2005, Ms. Pan has been a professor in Finance and tutor of doctorate candidates in Finance at Antai College of Economics and Management of Shanghai Jiaotong University. Since March 2011, Ms. Pan has also served as the director of Research Centre for Modern Finance at Shanghai Jiaotong University. Ms. Pan has also served as the chief expert of Pan Yingli Studio of the Decision-making Consultation Research Base of Shanghai Municipal Government* (上海市政府決策諮詢研究基地潘英麗工作室) since June 2015.

Prior to joining our Group. Ms. Pan was appointed as an independent supervisor of China Shipping Container Lines Company limited, a company listed on Hong Kong Stock Exchange (stock code: 2866) from March 2004 to June 2013. She has also been appointed as an independent director of Ossen Innovation, a company listed on NASDAQ (stock code: OSN), since August 2010. She has also been appointed as an independent non-executive director of China Merchants Bank, a company listed on Hong Kong Stock Exchange (stock code: 3968) since November 2011.

Ms. Pan obtained a Bachelor's degree in Economics from East China Normal University in the PRC in September 1982, a Master's degree in Economics from Shanghai University of Finance and Economics in the PRC in April 1985, and a Doctoral degree in Economics from East China Normal University in the PRC in September 1992.

Mr. Chen Dewei

Mr. Chen Dewei (陳德偉) ("**Mr. Chen**"), aged 63, was appointed as an independent non-executive Director on 24 April 2019. Mr. Chen is responsible for providing independent judgement on the Group's strategy, performance, resources and standard conduct.

Prior to joining our Group, Mr. Chen worked as an assistant engineer of Shanghai Municipal Engineering Design General Institute (Group) Company Limited* (上海市政工程設計研究總院(集團)有限公司) from January 1983 to September 1983. He then joined Tongji University as a lecturer and a researcher in Bridge Engineering in May 1986 to January 1994. He worked as an associate professor in Bridge Engineering at Tongji University from January 1994 to June 2003. Since June 2003, he has been a professor and a tutor of doctorate candidates in Bridge Engineering at Tongji University.

Mr. Chen joined our Group as an independent director of Shanghai Pujiang since April 2014.

Mr. Chen graduated from Tongji University with a Doctoral degree in engineering in March 1991.

Mr. Zhang Bihong

Mr. Zhang Bihong (張弼弘) ("**Mr. Zhang**"), aged 43, was appointed as the independent non-executive director of the Company on 24 April 2019. He is responsible for providing independent judgement on the Group's strategy, performance and financial operation.

Mr. Zhang has more than 15 years of experience in the areas of auditing and taxation. He is currently a certified tax agent in China as accredited by China Certified Tax Agents Association in June 2000. He is also a certified accountant in China as accredited by the Chinese Institute of Certified Public Accountants in December 2003. Prior to joining our Group, Mr. Zhang served as a senior manager at Inner Mongolia Zhong Tian Hua Zheng Accounting Firm (內蒙古中天華正會計師事務所) from September 1995 to September 2005 and was a senior manager at BDO-Reanda Xin Public Accountants (利安達會計師事務所) from October 2005 to July 2008. He was a partner of Zhong Cheng Xin An Rui (Beijing) Accounting Firm (中誠信安瑞(北京)會計師事務所) from August 2008 to October 2009.

Mr. Zhang also served as a director and the chief financial officer of Aoxin Tianli Group, Inc., previously known as Tianli Agritech, Inc. (豐澤科技發展有限公司), a company listed on NASDAQ (Stock Code: ABAC), from January 2010 to April 2012. Mr. Zhang then joined Honworld Group Limited (老恒和釀造有限公司), a company listed on the main board of the Hong Kong Stock Exchange (Stock Code: 2226) in 2012 and was later appointed as its non-executive director from December 2013 to June 2016.

Mr. Zhang graduated from Inner Mongolia Agricultural College with a diploma in economics (accounting) in July 1995.

General disclosure

Save as disclosed in the sections headed "Relationship with Controlling Shareholders" and "Statutory and General Information" in Appendix IV to this prospectus and above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately prior to the Latest Practicable Date. Immediately following completion of the Global Offering and the Capitalisation Issue, save as disclosed in the section headed "Substantial Shareholders" in the prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors which need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

None of our Directors or any of their respective associates had interests in any other companies as at the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management of the Group.

Name	Age	Position	Time of joining the Group	Principal responsibility
Mr. Luo Guoqiang (羅國强)	65	Deputy general manager and chief engineer of Shanghai Pujiang	September 1994	Overseeing technology development, design and advancement, as well as quality control and maintenance of products of Shanghai Pujiang
Mr. Xu Haoming (徐浩明)	63	Director and deputy general manager of Shanghai Pujiang	November 1989	Overseeing sales and marketing function of Shanghai Pujiang
Mr. You Shengyi (游勝意)	60	Chief engineer of Ossen (Jiujiang)	April 1994	Overseeing technology research and development of Ossen (Jiujiang)
Mr. Li Gang (李剛)	55	Deputy general manager of Shanghai Pujiang	July 1991	Production management of Shanghai Pujiang

Mr. Luo Guoqiang

Mr. Luo Guoqiang (羅國强) ("**Mr. Luo**"), aged 65, joined our Group in September 1994 and has been the deputy general manager and the chief engineer of Shanghai Pujiang since then. Mr. Luo is responsible for technology development, design and advancement, as well as quality control and maintenance of products of Shanghai Pujiang.

Mr. Luo has more than 30 years of experience in and the bridge industry. Prior to joining our Group, Mr. Luo worked as an engineer at Shanghai Cable Research Institute* (上海電纜研究所) from August 1982 to July 1994.

Mr. Luo has obtained a number of professional qualifications and held or currently holds positions in the various organisations as follows:

(i) an Engineer, Senior Engineer and Professor-grade Senior Engineer as accredited by the National Mechanical Industry Bureau* (國家機械工業局), previously known as Ministry of Mechanical Industry of the People's Republic of China* (中華人民共和國機械工業部), in January 1993, July 1995 and June 1999 respectively;

(ii) a council member of the 6th and 7th committee of the Bridge and Structural Engineering Sub-division of the China Civil Engineering Society* (中國土木工程學會橋梁及結構工程分會) appointed in December 2002 and June 2006 respectively, as well as an executive council member of its 8th committee appointed in June 2010;

(iii) a council member of the 4th, 5th, 6th and 8th Wind Engineering Committee of the Bridge and Structural Engineering Sub-division of the China Civil Engineering Society* (中國土木工程學會橋樑及結構工程分會風工程委員會) appointed in October 2004, October 2005 and August 2009 and August 2017 respectively;

(iv) a council member of the 5th and 6th committee of the Bridge and Structural Engineering Sub-division of the China Highway and Transportation Society* (中國公路學會橋樑和結構工程分會) appointed in January 2001 and January 2005, and an executive council member of its 7th and 8th committee appointed in June 2011 and June 2016 respectively; and

(v) currently an associate member of Cable Stayed Bridge Committee of the Post-Tensioning Institute.

Mr. Luo obtained a Bachelor's degree in Mechanical Engineering from Shenyang University of Technology, previously known as Shenyang Electromechanical School* (瀋陽機電學院), in the PRC in July 1982.

Mr. Xu Haoming

Mr. Xu Haoming (徐浩明) ("**Mr. Xu**"), aged 63, joined our Group in November 1989 and has been the deputy general manager of Shanghai Pujiang since then. Since December 2007, Mr. Xu has been approved as a Supervisor of Shanghai Pujiang. Since September 2012, Mr. Xu has also been appointed as a director of Shanghai Pujiang. Mr. Xu is responsible for overseeing sales and marketing function of Shanghai Pujiang.

Mr. Xu has more than 30 years of experience in the bridge cable industry. Prior to joining to our Group, Mr. Xu worked as an auditor at Shanghai Cable Research Institute* (上海電纜研究所) from March 1981 to November 1989.

Mr. Xu was accredited as Senior Engineer by the National Mechanical Industry Bureau* (國家機械工業局), previously known as the Ministry of Mechanical Industry of the People's Republic of China* (中華人民共和國機械工業部), in April 1998.

Mr. Xu graduated from Shanghai Television University with a diploma in Auditing in July 1989.

Mr. You Shengyi

Mr. You Shengyi (游勝意) ("**Mr. You**"), aged 60, joined our Group as deputy general manager of Ossen (Jiujiang) from April 1994 to April 2005. Since May 2005, Mr. You worked as the chief engineer of Ossen (Jiujiang). Mr. You is responsible for technology research and development of Ossen (Jiujiang).

Mr. You has more than 20 years of experience in the prestressed materials industry, in which he has made remarkable achievements. Mr. You participated in editing several National Standards of the PRC (中華人民共和國國家標準), including "Hot-dip galvanised steel wires for bridge cables" (《橋樑纜索用熱鍍鋅鋼線》), "Hot-dip galvanised steel strand for prestress" (《預應力熱鍍鋅鋼絞絲》) and "High strength steel wire strand for building structures" (《建築結構用高強度鋼絞線》) issued by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) and the Standardisation Administration of the PRC (中國國家標準化管理委員會) in August 2008, December 2016 and February 2017 respectively. Mr. You is also one of the editors of International Organization for Standardization (ISO) 19203:2018 "Hot-dip galvanized and zinc-aluminium coated high tensile steel wire for bridge cables – Specifications" (《橋樑纜索用熱鍍鋅及鍍鋅合金鋼絲－標準》), which was published in May 2018. Mr. You also received a special subsidy from the State Council of the PRC in December 2016 for his outstanding contribution to the manufacturing industry. Mr. You was awarded the National May 1st Labour Medal* (全國五一勞動獎章) by the Chinese National Federation of Trade Unions* (中華全國總工會) in April 2019.

Mr. You was accredited as a Professor-grade Senior Engineer by the Job Title Office of Jiangxi Province* (江西省職稱工作辦公室), the PRC in May 2009. Mr. You also was also appointed as a Committee of the 7th National Council* (第七屆全國理事會理事) of China Innovation Commission* (中國發明協會) in April 2018.

Mr. You obtained a Bachelor's degree in Metallurgy from Jiangxi University of Science and Technology (江西理工大學), previously known as Jiangxi Metallurgy Institute* (江西冶金學院) in the PRC in August 1982.

Mr. Li Gang

Mr. Li Gang (李剛) ("**Mr. Li**"), aged 55, joined our Group in July 1991 and has been the deputy general manager of Shanghai Pujiang since then. Mr. Li is responsible for production management of Shanghai Pujiang.

Mr. Li has more than 30 years of experience in the bridge cable industry. Prior to joining our Group, Mr. Li worked as an engineer at Shanghai Cable Research Institute* (上海電纜研究所) from July 1984 to July 1991.

Mr. Li was accredited as a Senior Engineer by the then Ministry of Mechanical Industry of the People's Republic of China* (中華人民共和國機械工業部), later known as the National Mechanics and Electronics Industry Bureau* (機械電子工業局), in April 1999.

Mr. Li obtained a Bachelor's degree in Production Process Automation from East China University of Science and Technology, previously known as East China Chemical Industry Institute* (華東化工學院) in the PRC in June 1992.

General disclosure

Save as disclosed as above, each of our senior management had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date and has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately prior to the Latest Practicable Date.

COMPANY SECRETARY

Ms. Choy Yee Man (蔡綺文), aged 51, was appointed as our company secretary on 28 November 2018. Ms. Choy is a director of corporate services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

Ms. Choy has over 20 years of experience in the corporate services field. She has been providing professional corporate services to Hong Kong listed companies and real estate investment trusts (including dual listed companies and dual listed real estate trust) as well as multinational, private and offshore companies. Her expertise extends from corporate advisory and regulatory compliance, corporate restructuring to dissolution of companies. Ms. Choy is currently the joint company secretary of two companies listed on The Stock Exchange of Hong Kong Limited, namely, Bestway Global Holding Inc. (榮威國際控股有限公司) (stock code: 3358) and A-Living Services Co., Ltd. (stock code: 3319). She was also the assistant company secretary of KAZ Minerals PLC (stock code: 847), which was delisted on 1 August 2018.

Ms Choy is a Chartered Secretary and a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Choy holds a bachelor of arts degree in accountancy from City Polytechnic of Hong Kong (now known as City University of Hong Kong).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

We have adopted the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code") and have complied with the applicable Listing Rules.

BOARD DIVERSITY

We recognise and embrace the benefits of having a diverse Board to enhance our Board's performance and to achieve a sustainable and balanced development. Our Board has adopted a board diversity policy which sets out the approach to achieve and maintain its diversity. The board diversity policy provides that selection of Board candidates should be based on a range of different considerations, including but not limited to professional experience, skills, gender, age, cultural and educational background, ethnicity and length of service. The ultimate selection of Board candidates will be based on merit and potential contribution to our Board with reference to the board diversity policy as a whole.

Our Board comprises of seven members, including four executive Directors and three independent non-executive Directors. Our Directors obtained diplomas in various disciplines, including economics, business administration, metal materials science and engineering. They also have a balanced mix of professional experience and industry background, including experience and industry background in cable business, prestressed materials business, administrative management, metal materials engineering, auditing and taxation. Further, their ages range widely from 43 to 63. Two out of seven of the existing members of the Board are female.

After the Listing, the nomination committee of our Board will review the board diversity policy and its implementation from time to time to ensure its continued effectiveness. We will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis after the Listing.

BOARD COMMITTEES

Pursuant to a resolution of our Directors passed on 24 April 2019, we have established an audit committee, a remuneration committee and a nomination committee. The memberships of our Directors in each of the committees are set out below:

Directors	**Position**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Chen Dewei	Independent non-executive Director	✔	✔	✔ *(Chairman)*
Ms. Pan Yingli	Independent non-executive Director	✔	✔ *(Chairman)*	✔
Mr. Zhang Bihong	Independent non-executive Director	✔ *(Chairman)*	✔	✔

Audit committee

We established an audit committee on 24 April 2019 with its written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgments contained in them; and oversee financial reporting system, risk management and internal control procedures. Our audit committee consists of three members who are Mr. Zhang Bihong, Mr. Chen Dewei and Ms. Pan Yingli, all being our independent non-executive Directors. Mr. Zhang Bihong is the chairman of the audit committee.

Remuneration committee

We established a remuneration committee on 24 April 2019 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are mainly to make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review remuneration proposals of the management with reference to our Board's corporate goals and objectives; and ensure none of our Directors or any of their associates determine their own remuneration. Our remuneration committee consists of three members who are Ms. Pan Yingli, Mr. Chen Dewei and Mr. Zhang Bihong, all being our independent non-executive Directors. Ms. Pan Yingli is the chairman of the remuneration committee.

Nomination committee

We established a nomination committee on 24 April 2019 with its written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee is to review the structure, size, composition and diversity of our Board and make recommendations to our Board on the selection of individuals nominated for directorships, appointment or re-appointment of Directors and succession planning for Directors. Our nomination committee consists of three members who are Mr. Chen Dewei, Ms. Pan Yingli and Mr. Zhang Bihong, all being our independent non-executive Directors. Mr. Chen Dewei is the chairman of the nomination committee.

EMPLOYEES

Please refer to "Business — Employees" for further information in relation to our employees and their benefits.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of us. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of us.

Remuneration packages of our employees usually comprise, among other things, salaries, contribution to pension schemes and allowances. We regularly review and determine the remuneration and compensation package of our employees by reference to, among other things, their performance, qualifications and respective responsibilities.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION DURING THE TRACK RECORD PERIOD

For the years ended 31 December 2016, 2017 and 2018, the aggregate remuneration paid and benefits in kind granted to our Directors by our Group was approximately nil, nil and RMB52,000, respectively. For the years ended 31 December 2016, 2017 and 2018, the aggregate remuneration paid and benefits in kind by our Group to the senior management is approximately RMB532,000, RMB541,000 and RMB454,900, respectively. For the years ended 31 December 2016, 2017 and 2018, the aggregate remuneration paid and benefits in kind granted to our five highest paid individuals, including one of our Directors(1), was approximately RMB826,000, RMB823,000 and RMB828,000, respectively.

Note:

(1) The Director had not yet been appointed as our Director during the Track Record Period and accordingly did not receive remuneration as Director. The remuneration and benefit in kind were paid to the Director in respect of his directorship and management roles in a subsidiary.

Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, by us to our Directors or senior management or the five highest-paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office in respect of the years ended 31 December 2016, 2017 and 2018. There was no arrangement under which a Director waived or agreed to waive any remuneration during the same period.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors and the senior management for the year ended 31 December 2019 will be approximately RMB2,203,000.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to the Accountants' Report set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 24 April 2019. For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on the following matters:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under Chapter 14 and/or Chapter 14A of the Listing Rules, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes any inquiry of us regarding unusual movements in the price or trading volume of the Shares under Rules 13.10 of the Listing Rules.

The term of the appointment of Haitong International Capital Limited shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme), the following persons will have interests or short positions in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group:

Shareholder	Nature of interest	Number of Shares	Percentage of Shareholding *(%)*
Elegant Kindness	Beneficial owner *(Note 2)*	509,203,064 (L) *(Note 1)*	63.65%
Dr. Tang	Interest in a controlled corporation	509,203,064 (L) *(Note 1)*	63.65%

Notes:

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

2. These Shares are held by Elegant Kindness, which is wholly owned by Dr. Tang. By virtue of the SFO, Dr. Tang is deemed to be interested in the Shares held by Elegant Kindness.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group.

AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

		HK$
Authorised share capital:		
10,000,000,000	Shares as at the Listing Date	100,000,000

Assuming the Over-allotment Option is not exercised and no options under the Share Option Scheme are exercised, the issued share capital of our Company immediately following the Global Offering and Capitalisation Issue will be as follows:

		HK$
Issued and to be issued, fully paid or credited as fully paid, upon completion of the Global Offering and the Capitalisation Issue:		
168,760	Shares in issue as at the Latest Practicable Date	1,687.6
599,831,240	Shares to be issued under the Capitalisation Issue	5,998,312.4
200,000,000	Shares to be issued under the Global Offering	2,000,000
800,000,000	Shares in total	8,000,000

Assuming the Over-allotment Option is exercised in full and no options under the Share Option Scheme are exercised, the issued share capital of our Company immediately following the Global Offering and Capitalisation Issue will be as follows:

		HK$
Issued and to be issued, fully paid or credited as fully paid, upon completion of the Global Offering and the Capitalisation Issue:		
168,760	Shares in issue as at the Latest Practicable Date	1,687.6
599,831,240	Shares to be issued under the Capitalisation Issue	5,998,312.4
230,000,000	Shares to be issued under the Global Offering and the Over-allotment Option	2,300,000
830,000,000	Shares in total	8,300,000

ASSUMPTIONS

The above table assumes that the Global Offering and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate, the Repurchase Mandate and the Share Option Scheme.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 24 April 2019, conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors were authorised to allot and issue a total of 599,831,240 Shares, credited as fully paid, at par to our Shareholders whose names appear on the register of members of our Company at close of business on 27 May 2019 in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted) to their then respectively shareholdings by way of capitalisation of the sum of HK$5,998,312.40 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank equally in all respects with our existing Shares.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 24 April 2019. A summary of the principal terms of the Share Option Scheme is set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this prospectus.

We did not have any outstanding share options, warrants, convertible instruments or similar rights convertible into our Shares as at the Latest Practicable Date.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of the Listing and at all times after Listing, our Company must maintain the minimum prescribed percentage of 25% (or such applicable percentage as prescribed by the Stock Exchange) of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules). Our Company has a minimum public float at the time of Listing.

RANKING

The Offer Shares will rank equally with all our Shares in issue on the date of the allotment and issue of such Shares and will qualify for all dividends, income and other distributions and any other rights and benefits attaching or accruing to our Shares in respect of a record date which falls after the Listing Date.

GENERAL MANDATE

Subject to the conditions set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate of a number of not more than the sum of:

(i) 20% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the Share Option Scheme); and

(ii) the aggregate number of Shares repurchased by us (if any) pursuant to the Repurchase Mandate (the "**General Mandate**").

The aggregate number of Shares which our Directors are authorised to allot and issue under the General Mandate will not be reduced by the allotment and issue of Shares pursuant to any (i) rights issue, (ii) scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with the Articles of Association, or (iii) specific authority or mandate granted by the Shareholders in general meeting(s). The General Mandate does not include any Shares to be issued pursuant to the exercise of the Over-allotment Option or the Share Option Scheme.

The General Mandate will expire:

— at the end of our next annual general meeting unless by ordinary resolution passed at that meeting, the issuing mandate is renewed, either unconditionally or subject to conditions;

— at the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

— when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For details of the General Mandate, please refer to the section headed "Statutory and General Information — A. Further Information about our Group — 4. Resolutions in writing passed by our Shareholders passed on 24 April 2019" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Subject to the conditions set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares in an aggregate number of not more than 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme) (the "**Repurchase Mandate**").

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. Further information of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about our Group — 6. Repurchase of Shares by our Company" in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

— at the end of our next annual general meeting unless by ordinary resolution passed at that meeting, the repurchase mandate is renewed, either unconditionally or subject to conditions;

— at the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or

— when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further information about the Repurchase Mandate, please refer to the section headed "Statutory and General Information — A. Further Information about our Group — 4. Resolutions in writing passed by our Shareholders passed on 24 April 2019" in Appendix IV to this prospectus.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price for certain number of our Offer Shares or for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased with an aggregate amount of approximately HK$237.8 million (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$3.06 (being at the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be 77,712,000 Shares, representing approximately (i) 32.39% of the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 28.16% of the Offer Shares, assuming that the Over-allotment Option is exercised in full, (iii) 9.71% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised and (iv) 9.36% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is exercised in full.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company (as defined under the Listing Rules). No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing. The Offer Shares to be subscribed by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus or for meeting other applicable requirements under the Listing Rules.

To the best knowledge of our Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of each other, independent of our Company, our connected persons and their respective associates, and not an existing Shareholder or a close associate of a Shareholder.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of the allotment results of the Company to be published on or around 27 May 2019.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors:

Based on the Offer Price of HK$2.56 (being the minimum Offer Price)

Cornerstone Investor	Approximate investment amount (in HK$ million or equivalent amount in HK$ million of other currencies)	Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total International Offer Shares (before any reallocation)		Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司)	100.0	39,062,000	18.08%	15.50%	16.28%	14.15%	4.88%	4.71%
SAIC Motor HK Investment Limited (上海汽車香港投資有限公司)	46.3	18,098,000	8.38%	7.18%	7.54%	6.56%	2.26%	2.18%
SIIC Trading Company Limited (上海實業貿易有限公司)	38.8	15,156,000	7.02%	6.01%	6.32%	5.49%	1.89%	1.83%
Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司)	31.2	12,207,000	5.65%	4.84%	5.09%	4.42%	1.53%	1.47%
Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司)	21.4	8,367,000	3.87%	3.32%	3.49%	3.03%	1.05%	1.01%
Total	**237.7**	**92,890,000**	**43.0%**	**36.85%**	**38.72%**	**33.65%**	**11.61%**	**11.20%**

Based on the Offer Price of HK$3.06 (being the mid-point of the Offer Price range)

Cornerstone Investor	Approximate investment amount (in HK$ million or equivalent amount in HK$ million of other currencies)	Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total International Offer Shares (before any reallocation) — Assuming the Over-allotment Option is not exercised	Approximate % of total International Offer Shares (before any reallocation) — Assuming the Over-allotment Option is exercised in full	Approximate % of total number of Offer Shares — Assuming the Over-allotment Option is not exercised	Approximate % of total number of Offer Shares — Assuming the Over-allotment Option is exercised in full	Approximate % of total Shares in issue immediately following the completion of the Global Offering — Assuming the Over-allotment Option is not exercised	Approximate % of total Shares in issue immediately following the completion of the Global Offering — Assuming the Over-allotment Option is exercised in full
Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司)	100.0	32,679,000	15.13%	12.97%	13.62%	11.84%	4.08%	3.94%
SAIC Motor HK Investment Limited (上海汽車香港投資有限公司)	46.3	15,141,000	7.01%	6.01%	6.31%	5.49%	1.89%	1.82%
SIIC Trading Company Limited (上海實業貿易有限公司)	38.8	12,679,000	5.87%	5.03%	5.28%	4.59%	1.58%	1.53%
Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司)	31.3	10,213,000	4.73%	4.05%	4.26%	3.70%	1.28%	1.23%
Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司)	21.4	7,000,000	3.24%	2.78%	2.92%	2.54%	0.88%	0.84%
Total	**237.8**	**77,712,000**	**35.98%**	**30.84%**	**32.39%**	**28.16%**	**9.71%**	**9.36%**

Based on the Offer Price of HK$3.55 (being the maximum of the Offer Price range)

Cornerstone Investor	Approximate investment amount (in HK$ million or equivalent amount in HK$ million of other currencies)	Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total International Offer Shares (before any reallocation): Assuming the Over-allotment Option is not exercised	Approximate % of total International Offer Shares (before any reallocation): Assuming the Over-allotment Option is exercised in full	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is not exercised	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is exercised in full	Approximate % of total Shares in issue immediately following the completion of the Global Offering: Assuming the Over-allotment Option is not exercised	Approximate % of total Shares in issue immediately following the completion of the Global Offering: Assuming the Over-allotment Option is exercised in full
Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司)	100.0	28,169,000	13.04%	11.18%	11.74%	10.21%	3.52%	3.39%
SAIC Motor HK Investment Limited (上海汽車香港投資有限公司)	46.3	13,051,000	6.04%	5.18%	5.44%	4.73%	1.63%	1.57%
SIIC Trading Company Limited (上海實業貿易有限公司)	38.8	10,929,000	5.06%	4.34%	4.55%	3.96%	1.37%	1.32%
Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司)	31.3	8,803,000	4.08%	3.49%	3.67%	3.19%	1.10%	1.06%
Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司)	21.4	6,033,000	2.79%	2.39%	2.51%	2.19%	0.75%	0.73%
Total	**237.8**	**66,985,000**	**31.01%**	**26.58%**	**27.91%**	**24.28%**	**8.37%**	**8.07%**

We set out below a brief description of our Cornerstone Investors.

Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司)

Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司) ("**PAMC**") was incorporated in June 2006 in the PRC with the approval of China Insurance Regulatory Commission (中國保險監督管理委員會). China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司), a company listed in both the Shanghai Stock Exchange (Stock Code: 601601.SH) and the Stock Exchange (Stock Code: 2601.HK), directly and indirectly holds 99.7% equity interest of PAMC.

PAMC mainly engages in management of capital and insurance funds, outsourcing of asset management, consulting services relating to asset management, and other asset management business as permitted under the PRC laws and regulations.

PAMC is ultimately controlled by China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司), which is an insurance group company established on the basis of the former China Pacific Insurance Company Limited (中國太平洋保險公司) ("**China Pacific**") which was incorporated in May 1991. Headquartered in Shanghai, China Pacific is a leading comprehensive insurance group in China and listed in both the Shanghai Stock Exchange (Stock Code: 601601.SH) and the Stock Exchange (Stock Code: 2601.HK).

SAIC Motor HK Investment Limited (上海汽車香港投資有限公司)

SAIC Motor HK Investment Limited (上海汽車香港投資有限公司) ("**SAIC HK**") is a limited company incorporated in Hong Kong in June 2009 and a wholly owned subsidiary of SAIC Motor Corporation Limited (上海汽車集團股份有限公司), a company listed in the Shanghai Stock Exchange (Stock Code: 600104.SH) ("**SAIC Motor**"). SAIC HK is the overseas investment and financing platform of SAIC Motor and mainly conducts SAIC Motor's overseas investment activities.

SAIC Motor is the largest auto company on the China's A-share market. Currently, SAIC Motor's main business covers research and development, production and sales of vehicles and auto parts, auto-related services such as logistics, e-commerce, travel, energy saving and charging service, auto-related finance, insurance and investment services, overseas business and international trade, and development in the area of industrial big data and artificial intelligence.

SIIC Trading Company Limited (上海實業貿易有限公司)

SIIC Trading Company Limited (上海實業貿易有限公司) ("**SIIC Trading**") is a limited company incorporated in Hong Kong in May 1993 and a wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), which is a company incorporated in Hong Kong with limited liability and an overseas conglomerate controlled by the Shanghai municipal government in China.

SIIC Trading is principally engaged in investment holding, securities investment, property investment and trading businesses.

Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司)

Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司) ("**SCG Investment**") was incorporated in June 2015 with a registered share capital of RMB3 billion. SCG Investment is specialised in life-cycle management of urban infrastructure projects and asset management business (including equity market, real estate finance and financial leasing etc.).

SCG Investment is a wholly-owned subsidiary of Shanghai Construction Group Co., Ltd. (上海建工集團股份有限公司) ("**Shanghai Construction**"), which was incorporated in June 1998. Headquartered in Shanghai, Shanghai Construction is a leading construction and engineering company listed in the Shanghai Stock Exchange (Stock Code: 600170.SH).

Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司)

Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司 ("**Shanghai Putuo**") is a company incorporated in the PRC. Shanghai Putuo was established for the purposes of promoting regional science and technology development and supporting the transformation of regional industrial structure.

Shanghai Putuo is approved by the Putuo District Government of Shanghai and wholly-owned by Putuo State-owned Assets Supervision and Administration Commission (上海市普陀區國有資產監督管理委員會). Shanghai Putuo is a key strategic state-owned professional investment company in Putuo District of Shanghai and wholly-owned by the Chinese government.

Focusing on regional science and technology resources, Shanghai Putuo values "investment + operation" and "base + funding" as its prime focuses. In particular, Shanghai Putuo focuses on investment and operation management of science and technology industrial parks, parent- and government guidance- funds, and technology related financing.

CONDITIONS PRECEDENT

The subscription of Offer Shares by each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed upon between the Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters) and within the indicative range set forth in this prospectus;

(iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investors) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all material respects and not misleading and that there is no breach of the relevant cornerstone investment agreements on the part of the Cornerstone Investors.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed, covenanted with and undertaken to the Company, the Sole Global Coordinator and the Sole Sponsor that, among other things, without the prior written consent of each of the Company, the Sole Global Coordinator and the Sole Sponsor, the Cornerstone Investor will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date, dispose of, in any way, any Shares to be subscribed by the Cornerstone Investors pursuant to the respective cornerstone investment agreement (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares; or enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

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

OVERVIEW

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

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

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

During the Track Record Period, we generated around 67% of our revenue from our Prestressed Materials Business. For the years ended 31 December 2016, 2017 and 2018, we generated revenue in the amounts of RMB1,081.9 million, RMB1,317.7 million and RMB1,383.3 million, respectively, and our profit for the year was RMB74.9 million, RMB88.7 million and RMB148.6 million, respectively.

BASIS OF PRESENTATION

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

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Product mix

Our results of operations depend on the product mix we sell during the Track Record Period. During the Track Record Period, our revenue was derived from our Cable Business and Prestressed Materials Business. Revenue from Cable Business accounted for 28.0%, 32.3% and 37.5% of our total revenue in 2016, 2017 and 2018, respectively. Revenue from Prestressed Materials Business accounted for 72.0%, 67.7% and 62.5% of our total revenue in 2016, 2017 and 2018, respectively.

In 2016, 2017 and 2018, the gross profit margin of our Cable Business was 34.7%, 34.6% and 36.8%, respectively. The profit margins of our Cable Business vary based on each project that we bid and enter into contract with. Factors include the complexity and type of bridge or infrastructure project, the nature of and relationship with the customer, market demand, the quantity and type of cables purchased and the overall project value. During the Track Record Period, the gross profit margin for our stay cable projects ranged from 25.8% to 37.9%, while the gross profit margin for our suspension cable projects ranged from 32.1% to 36.1%.

In 2016, 2017 and 2018, the gross profit margin of our Prestressed Materials Business was 14.0%, 11.1% and 15.7%, respectively. The profit margins of our Prestressed Materials Business vary based on the type of products we sell, which in turn are based on market demand and the customer orders received. In particular, a significant proportion of our sales have been for our rare earth coated prestressed products, which constituted 86.6%, 85.3% and 79.3% of our total revenues from our Prestressed Materials Business in 2016, 2017 and 2018, respectively. During the Track Record Period, the gross profit margin for sales of our rare earth coated prestressed products ranged from 8.9% to 12.5%.

As different products generally have different demand, prices and margins, our results of operations will be affected by the product mix we sell in a particular period. Our profitability is also affected by our ability to accurately estimate our costs of production under our pricing structure. For the Prestressed Materials Business, we generally adopt a cost-plus pricing structure, while for the Cable Business, our selling prices are determined based on the nature of each individual project, with the cost of production being one of the key factors. Please refer to the section headed "Financial Information — Description of Selected Consolidated Statement of Profit or Loss Line Items — Revenue — Average selling price and sales volume". Changes to the average cost of raw materials may also affect our profitability to the extent we cannot or do not pass on the changes to our customers. Raw material costs accounted for approximately 95% to 96% of our total cost of sales during the Track Record Period. For reasons of historical changes in the gross profit margin of our Cable Business and Prestressed Materials Business, please refer to the section headed "Financial Information — Period to Period Comparison of Results of Operations".

Cost of major raw materials

The cost of raw materials represents a substantial part of our cost of sales. For the year ended 31 December 2016, 2017 and 2018, the cost of raw materials accounted for 95.0%, 95.8% and 95.6% of our total cost of sales, respectively. The major raw materials we use for our Prestressed Materials Business are high carbon steel wire rods which can be further manufactured into galvanised prestressed wires used in our Cable Business. High carbon steel wire rods and the galvanised prestressed wires in total represented over 90% of our cost of raw materials over the Track Record Period. For the years ended 31 December 2016, 2017 and 2018, the average cost of our high carbon steel wire rods per tonne was RMB2,330, RMB3,126 and RMB3,907, respectively. The average cost of our high carbon steel wire rods may significantly differ from the average annual market price as the inventories used for production and sale may have been purchased in a prior period. In addition, our purchases from suppliers reflect negotiated prices at the time of the order, which vary based on the quantity and amount purchased, our relationship with our suppliers, and other factors. We typically purchase our raw materials from multiple primary steel producers. The steel industry as a whole is cyclical and, at times, pricing and availability of steel can be volatile due to numerous factors beyond our control, including general domestic and international economic conditions, labour costs, sales levels, competition, consolidation of steel producers, raw material costs for steel producers, import duties and tariffs and currency exchange rates.

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

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

	Percentage change in high carbon steel wire rods					
	–10%	–5%	–1%	+1%	+5%	+10%
	(RMB'000, except percentages)					
Year ended 31 December 2016						
Increase/(decrease) in high carbon steel wire rods	(63,101)	(31,550)	(6,310)	6,310	31,550	63,101
Increase/(decrease) in profit before tax for the year	63,101	31,550	6,310	(6,310)	(31,550)	(63,101)
Percentage change in profit before tax for the year	75.2%	37.6%	7.5%	–7.5%	–37.6%	–75.2%
Year ended 31 December 2017						
Increase/(decrease) in high carbon steel wire rods	(72,788)	(36,394)	(7,279)	7,279	36,394	72,788
Increase/(decrease) in profit before tax for the year	72,788	36,394	7,279	(7,279)	(36,394)	(72,788)
Percentage change in profit before tax for the year	83.9%	41.9%	8.4%	–8.4%	–41.9%	–83.9%
Year ended 31 December 2018						
Increase/(decrease) in high carbon steel wire rods	(67,511)	(33,756)	(6,751)	6,751	33,756	67,511
Increase/(decrease) in profit before tax for the year	67,511	33,756	6,751	(6,751)	(33,576)	(67,511)
Percentage change in profit before tax for the year	39.1%	19.6%	3.9%	-3.9%	-19.6%	-39.1%

Economic conditions in China

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

Level of income tax and preferential tax treatment

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

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

Seasonality

Our revenue from the Prestressed Materials Business is subject to seasonality and is generally lower during the first quarter each year primarily due to the Chinese New Year holidays around February and the cold weather in the Northern region of China during winter season as construction work generally slows down during that period. Thus, any interim period financial and operational results may not be reflective of our results for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

ADOPTION OF HKFRS 15 AND HKFRS 9

HKFRS 15 Revenue from Contracts with Customers replaces the previous revenue standards HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations. HKFRS 9 Financial Instruments replaces the provisions of HKAS 39 Financial Instruments: Recognition and Measurement. The standards are effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

We have adopted HKFRS 15 and HKFRS 9 consistently during the Track Record Period. The adoption of HKFRS 15 and HKFRS 9 has had no material impact on the Group's financial position and financial performance during the Track Record Period.

The table below shows the effect of adoption of HKFRS 9 on line items on consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income:

	As at 1 January 2016		
	Amounts under HKAS 39	**Effects of the adoption of HKFRS 9**	**Amounts under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position			
Trade and retention receivables, other receivables and deposits	530,206	(20,474)	509,732
Retained earnings (included in reserves)	488,513	(20,474)	468,039

	As at 31 December 2016		
	Amounts under HKAS 39	**Effects of the adoption of HKFRS 9**	**Amounts under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position			
Trade and retention receivables, other receivables and deposits	547,877	(24,004)	523,873
Retained earnings (included in reserves)	544,990	(24,004)	520,986

	Year ended 31 December 2016		
	Amounts under HKAS 39	**Effects of the adoption of HKFRS 9**	**Amounts under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of profit or loss and other comprehensive income			
Impairment loss on trade and retention receivables	–	(19,378)	(19,378)

	As at 31 December 2017		
	Amounts under HKAS 39	**Effects of the adoption of HKFRS 9**	**Amounts under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position			
Trade and retention receivables, other receivables and deposits	822,484	(25,561)	796,923
Retained earnings (included in reserves)	609,947	(25,561)	584,386

	Year ended 31 December 2017		
	Amounts under HKAS 39	**Effects of the adoption of HKFRS 9**	**Amounts under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of profit or loss and other comprehensive income			
Impairment (loss)/gain on trade and retention receivables, net	(19,378)	781	(18,597)

	As at 31 December 2018		
	Amounts under HKAS 39	**Effects of the adoption of HKFRS 9**	**Amounts under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of financial position			
Trade and retention receivables, other receivables and deposits	1,073,245	(28,582)	1,044,663
Retained earnings (included in reserves)	715,979	(28,582)	687,397

	Year ended 31 December 2018		
	Amounts under HKAS 39	**Effects of the adoption of HKFRS 9**	**Amounts under HKFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Consolidated statement of profit or loss and other comprehensive income			
Impairment (loss)/gain on trade and retention receivables, net	(18,597)	(3,915)	(22,512)

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

RESULTS OF OPERATIONS

The following table summarises the consolidated profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue	1,081,887	100.0	1,317,693	100.0	1,383,335	100.0
Cost of sales	(867,432)	(80.2)	(1,071,786)	(81.3)	(1,056,834)	(76.4)
Gross profit	214,455	19.8	245,907	18.7	326,501	23.6
Other revenue	8,430	0.8	11,406	0.9	11,508	0.8
Other gains and losses	(3,392)	(0.3)	(1,902)	(0.1)	(4,100)	(0.3)
Distribution and selling expenses	(16,153)	(1.5)	(21,316)	(1.6)	(19,754)	(1.4)
Administrative expenses	(28,948)	(2.7)	(38,533)	(2.9)	(33,321)	(2.4)
Research and development expenses	(49,128)	(4.5)	(60,244)	(4.6)	(53,725)	(3.9)
Finance costs	(40,430)	(3.7)	(34,469)	(2.6)	(54,658)	(4.0)
Profit before tax	84,834	7.8	100,849	7.7	172,451	12.5
Income tax expense	(9,956)	(0.9)	(12,177)	(0.9)	(23,853)	(1.7)
Profit for the year	74,878	6.9	88,672	6.7	148,598	10.7
Profit attributable to:						
Owners of the Company	58,403	5.4	71,514	5.4	115,851	8.4
Non-controlling interests	16,475	1.5	17,158	1.3	32,747	2.4
	74,878	6.9	88,672	6.7	148,598	10.7

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS LINE ITEMS

Revenue

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

We organise our operations into business units based on the products involved and our revenue is primarily attributable to two reportable operating segments: (i) Cable Business, which comprises suspension cables, stay cables, installation services and sales of scrap materials and (ii) Prestressed Materials Business, which comprises plain surface prestressed products, rare earth coated prestressed products, galvanised prestressed products and other steel materials. While we historically generated the majority of revenue from the Prestressed Materials Business, we expect our Cable Business to grow at a faster rate in the next few years. For the years ended 31 December 2016, 2017 and 2018, approximately 95.9%, 96.2% and 97.6% of our revenue were from sales in the PRC, whilst the remaining sales were to overseas customers, including customers in Korea, Indonesia and Vietnam.

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

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue						
Cable Business:						
Suspension cable projects	125,988	11.6	313,798	23.8	221,554	16.0
Stay cable projects	167,957	15.5	92,387	7.0	284,965	20.6
Others – installation	9,162	0.8	8,371	0.6	11,578	0.8
Others – sale of scrap materials	168	0.1	11,247	0.9	700	0.1
	303,275	28.0	425,803	32.3	518,797	37.5
Prestressed Materials Business:						
Rare earth coated prestressed products	674,242	62.3	760,922	57.8	685,532	49.6
Plain surface prestressed products	45,461	4.2	46,171	3.5	31,917	2.3
Galvanised prestressed products	49,170	4.6	72,476	5.5	142,274	10.3
Other steel materials	9,739	0.9	12,321	0.9	4,815	0.3
	778,612	72.0	891,890	67.7	864,538	62.5
	1,081,887	100.0	1,317,693	100.0	1,383,335	100.0

Cable Business

For the years ended 31 December 2016, 2017 and 2018, revenue from our Cable Business amounted to RMB303.3 million, RMB425.8 million and RMB518.8 million, representing 28.0%, 32.3% and 37.5% of our total revenue, respectively. Revenue from our Cable Business is mainly determined based on the number of projects we work on and the value of such projects. The number of projects under our Cable Business for 2016, 2017 and 2018 was 99, 89 and 116, respectively. Customers of our Cable Business are usually project companies or contractors that build bridges or other large construction projects. Please also refer to the section headed "Business — Sales and Marketing".

Prestressed Materials Business

For the years ended 31 December 2016, 2017 and 2018, revenue from our Prestressed Materials Business amounted to RMB778.6 million, RMB891.9 million and RMB864.5 million, representing 72.0%, 67.7% and 62.5% of our total revenue, respectively. Changes to our revenue in our Prestressed Materials Business are primarily resulted from fluctuations in the sales volume and the average selling price of our products, which in turn reflect the demand from our customers, which are usually steel material trading companies and steel material manufacturers. Please also refer to the section headed "Business — Sales and Marketing".

Average selling price and sales volume

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

	Year ended 31 December					
	2016		2017		2018	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	tonnes	*RMB per tonne*	*tonnes*	*RMB per tonne*	*tonnes*	*RMB per tonne*
Cable Business[(1)]:						
Suspension cable projects	14,133	8,914	27,610	11,365	19,719	11,236
Stay cables projects	13,194	12,730	11,832	7,808	22,873	12,459
Total	27,327	10,757	39,442	10,298	42,592	11,892
Prestressed Materials Business[(2)]:						
Rare earth coated prestressed products	257,048	2,623	215,261	3,535	149,280	4,592
Plain surface prestressed products	17,623	2,580	9,165	5,038	5,893	5,416
Galvanised prestressed products	9,608	5,118	13,255	5,468	19,489	7,300
Total	284,279	2,705	237,681	3,701	174,662	4,922

Notes:

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

(2) This excludes sale of other steel materials.

Cable Business

In 2016, 2017 and 2018, the overall average selling price per tonne of our products under the Cable Business was RMB10,757, RMB10,298 and RMB11,892, respectively. We price our products based on the nature for each individual project, taking into account the quantity, type and technical specifications of the cables sold, the overall project value, the complexity and type of bridge or infrastructure project, the location of the project, sufficiency of resources, the nature of and relationship with the customer, and the cost of raw materials.

The overall average selling price per tonne decreased by 4.3% from RMB10,757 in 2016 to RMB10,298 in 2017 mainly due to a decrease in the average selling price of stay cable projects as we sold lower value cables for stay cable projects partly offset by increased sales of higher value cables with greater strength for our suspension cable projects. The overall average selling price per tonne increased by 15.5% from RMB10,298 in 2017 to RMB11,892 in 2018 mainly due to the increases in volume and average selling price of stay cable projects in 2018 due to the sale of higher value products as a result of the complexity of the projects.

Prestressed Materials Business

In 2016, 2017 and 2018, the overall average selling price per tonne of our products under the Prestressed Materials Business was RMB2,705, RMB3,701 and RMB4,922, respectively. We adopt a cost-plus basis approach when determining the selling price. Apart from costs, our price will also take into account factors such as relationship with the customers, sales volume, sufficiency of our resources and technical requirements for the products to be supplied. Changes in the average selling price under the Prestressed Materials Business during the Track Record Period were mainly driven by changes in the product mix and changes in the cost of raw materials.

The overall average selling price per tonne increased by 36.8% from RMB2,705 in 2016 to RMB3,701 in 2017 mainly driven by (i) an increase in average selling prices of our rare earth coated prestressed products, which reflects an increase in our average cost of raw materials; and (ii) increased sales of galvanised prestressed products, which had a higher average selling price. The overall average selling price per tonne increased by 33.0% from RMB3,701 in 2017 to RMB4,922 in 2018 primarily due to (i) increases in selling prices of our rare earth coated prestressed products and galvanised prestressed products, reflecting an increased demand for our products as the PRC government launched an initiative to shut down production facilities that did not meet national environmental standards; and (ii) the further increase in our average cost of raw materials.

For our rare earth coated prestressed products, the average selling price per tonne increased from RMB2,623 in 2016 to RMB3,535 in 2017 and further to RMB4,592 in 2018 primarily due to increases in cost of raw materials and overall market price trends. Sales volumes, however, decreased from 257,048 tonnes in 2016, to 215,261 tonnes in 2017 and further to 149,280 tonnes in 2018, reflecting decreased market demand for such products leading to our greater focus on the production and sales of galvanised prestressed products, which requires the use of greater resources in terms of raw materials and labour than rare earth coated prestressed products.

For our plain surface prestressed products, the average selling price per tonne increased from RMB2,580 in 2016 to RMB5,038 in 2017 and further to RMB5,416 in 2018 primarily due to increases in cost of raw materials. Sales volumes, however, decreased from 17,623 tonnes in 2016, to 9,165 tonnes in 2017 and further to 5,893 tonnes in 2018, reflecting (i) our greater focus on the production and sales of galvanised prestressed products as discussed above and (ii) a decrease in orders due to lower market demand and the competitive nature of the market for plain surface prestressed products.

For our galvanised prestressed products, the average selling price per tonne increased from RMB5,118 in 2016 to RMB5,468 in 2017 and further to RMB7,300 in 2018 primarily due to increases in cost of raw materials and increased demand for such products from construction companies as well as cable manufacturers. Sales volumes increased from 9,608 tonnes in 2016, to 13,255 tonnes in 2017 and further to 19,489 tonnes in 2018, reflecting our greater focus on the production and sales of galvanised prestressed products as well as the greater market demand for such products.

Cost of sales

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

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Raw materials	824,031	95.0	1,027,233	95.9	1,009,930	95.6
Depreciation	9,709	1.1	8,484	0.8	6,909	0.6
Production overhead	11,492	1.3	10,778	1.0	8,231	0.8
Business tax	5,979	0.7	6,800	0.6	7,605	0.7
Direct labour cost	8,726	1.0	10,799	1.0	14,076	1.3
Subcontracting fee	5,195	0.6	5,436	0.5	8,471	0.8
Others(1)	2,300	0.3	2,256	0.2	1,612	0.2
	867,432	100.0	1,071,786	100.0	1,056,834	100.0

Note:

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

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

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Cable Business	198,072	22.8	278,478	26.0	328,133	31.0
Prestressed Materials Business	669,360	77.2	793,308	74.0	728,701	69.0
	867,432	100.0	1,071,786	100.0	1,056,834	100.0

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

Gross profit and gross profit margin

For the years ended 31 December 2016, 2017 and 2018, our gross profit was RMB214.5 million, RMB245.9 million and RMB326.5 million, respectively, and our gross profit margin was 19.8%, 18.7% and 23.6% for the respective year. Changes to our gross profit margin during the Track Record Period primarily reflected changes in average selling prices, the cost of raw materials as well as the revenue contribution and product mix between our Cable Business and Prestressed Materials Business. Please refer to the section headed "Financial Information — Period to Period Comparison of Results of Operations" for further analysis.

The following table sets out the respective gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Cable Business	105,203	34.7	147,325	34.6	190,664	36.8
Prestressed Materials Business	109,252	14.0	98,582	11.1	135,837	15.7
Total	214,455	19.8	245,907	18.7	326,501	23.6

Other revenue

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

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Bank and other interest income	2,977	35.3	6,004	52.6	4,968	43.2
Government grants	5,077	60.2	5,249	46.0	6,423	55.8
Sundry income	376	4.5	153	1.4	117	1.0
	8,430	100.0	11,406	100.0	11,508	100.0

Other gains and losses

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

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

Distribution and selling expenses

Distribution and selling expenses mainly include (i) transportation costs for delivery of products, (ii) commission, (iii) salaries and benefits of our sales and marketing staff and (iv) travel expenses relating to our sales and marketing activities. For the years ended 31 December 2016, 2017 and 2018, our distribution and selling expenses amounted to RMB16.2 million, RMB21.3 million and RMB19.8 million, representing 1.5%, 1.6% and 1.4% of our revenue for the respective year. The following table sets out the breakdown of selling and distribution expenses for the years indicated:

	Year ended 31 December					
	2016		**2017**		**2018**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Transportation costs	9,869	61.1	14,444	67.8	12,756	64.6
Commission	2,195	13.6	952	4.5	908	4.5
Staff salaries and benefits	2,627	16.3	2,719	12.7	3,118	15.8
Travel expenses	611	3.8	787	3.7	1,057	5.4
Depreciation	39	0.2	41	0.2	55	0.3
Others[(1)]	812	5.0	2,373	11.1	1,860	9.4
	16,153	100.0	21,316	100.0	19,754	100.0

Note:

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

Administrative expenses

For the years ended 31 December 2016, 2017 and 2018, our administrative expenses amounted to RMB28.9 million, RMB38.5 million and RMB33.3 million, representing 2.7%, 2.9% and 2.4% of our revenue for the respective year. The following table sets out the breakdown of administrative expenses for the periods indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	9,792	33.8	11,071	28.7	11,830	35.5
Travelling and entertainment	2,291	7.9	3,548	9.2	3,614	10.8
Depreciation	1,241	4.3	1,246	3.2	1,177	3.5
Amortisation of prepaid land lease payment	763	2.6	762	2.0	763	2.3
Audit fee	1,464	5.1	1,643	4.2	1,079	3.2
Legal and professional fee	908	3.1	1,126	2.9	206	0.6
Listing expenses (A-share Listing)	250	0.9	–	–	–	–
Listing expenses (Stock Exchange)	–	–	8,614	22.4	6,245	18.8
Other taxes	2,810	9.7	2,808	7.3	1,832	5.5
Bank charges	4,705	16.3	3,102	8.1	3,129	9.4
Others[1]	4,724	16.3	4,613	12.0	3,446	10.4
	28,948	100.0	38,533	100.0	33,321	100.0

Note:

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

Research and development expenses

Research and development expenses mainly include (i) salaries and benefits of our research and development staff, (ii) depreciation of equipment for research and development, (iii) materials consumed for conducting research and development activities, and (iv) testing fee incurred in engaging external testing laboratories. For the years ended 31 December 2016, 2017 and 2018, our research and development expenses amounted to RMB49.1 million, RMB60.2 million and RMB53.7 million, representing 4.5%, 4.6% and 3.9% of our revenue for the respective year. The following table sets out the breakdown of our research and development expenses for the years indicated:

	Year ended 31 December					
	2016		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Staff costs	2,638	5.4	3,271	5.4	3,863	7.2
Depreciation	1,396	2.8	1,431	2.4	575	1.1
Materials	41,016	83.5	51,288	85.1	45,919	85.5
Testing	2,735	5.6	2,394	4.0	2,046	3.8
Others	1,343	2.7	1,860	3.1	1,322	2.4
	49,128	100.0	60,244	100.0	53,725	100.0

Finance costs

Finance costs mainly consist of interest on bank borrowings, interest expenses from our bond issued and handling charge for the bond issued. For the years ended 31 December 2016, 2017 and 2018, our finance costs amounted to RMB40.4 million, RMB34.5 million and RMB54.7 million, respectively.

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

Income tax expense

Income tax expense consists of current and deferred taxes payable in the PRC by our Company and our subsidiaries. For the years ended 31 December 2016, 2017 and 2018, our income tax expense amounted to RMB10.0 million, RMB12.2 million and RMB23.9 million, and our effective income tax rate was 11.7%, 12.1% and 13.8%, respectively. For each year during the Track Record Period, as confirmed by our PRC Legal Advisors, each of our PRC operating subsidiaries had duly made its relevant tax filings in accordance with the relevant laws and regulations in the PRC; and as confirmed by our Reporting Accountants, all income tax calculations and filings (including the tax deductions) had been conducted in accordance with relevant tax laws and regulations in the PRC.

Based on the above, the Directors view that our Group's basis for the tax calculation was sound and reasonable, therefore, the provision for income taxes was adequate for our Group during the Track Record Period. For further details, please refer to Note 14 to the Accountants' Report in Appendix I to this prospectus.

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

Ossen Innovation Materials, Ossen (Jiujiang), Shanghai Pujiang and Zhejiang Pujiang are recognised as High and New-Technology Enterprises according to the PRC tax regulations and were entitled to a preferential tax rate of 15% during the Track Record Period. Their respective preferential tax rate will expire in July 2020, August 2021, November 2020 and November 2019, respectively. Assuming we had lost our preferential tax rate of 15% and our PRC subsidiaries had been subject to the statutory tax rate of 25% during the Track Record Period, our net profit would have been reduced by 11.2% in 2016, 12.3% in 2017 and 11.6% in 2018.

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

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

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended 31 December 2018 Compared to Year Ended 31 December 2017

Revenue

Revenue increased by 5.0% from RMB1,317.7 million in 2017 to RMB1,383.3 million in 2018. This increase was mainly attributable to a 21.8% increase in our revenue from our Cable Business partially offset by a 3.1% decrease in our revenues from our Prestressed Materials Business.

Cable Business

Revenue from our Cable Business increased by 21.8% from RMB425.8 million in 2017 to RMB518.8 million in 2018. Average selling prices remained stable while the number of projects increased from 89 in 2017 to 116 in 2018.

Revenue generated from stay cable projects increased from RMB92.4 million in 2017 to RMB285.0 million in 2018, which was mainly due to an increase in the sales from several high contract value stay cable bridge projects including, Boyang Lake No. 2 Bridge (with a contract value of RMB52.0 million and term from September 2017 to May 2019), Taizhou Bay Bridge (with a contract value of RMB26.4 million and term from July 2017 to May 2018), Qatar Stadium (with a contract value of RMB18.0 million and term from April 2018 to August 2018), Qimen Port Bridge (with a contract of RMB15.3 million and term from November 2018 to January 2019) and Shenhai Fisheries anchoring cable (with a contract value of RMB16.3 million and term from December 2018 to January 2019).

Revenue from suspension cable projects decreased by 29.4% from RMB313.8 million in 2017 to RMB221.6 million in 2018 primarily due to the completion of the Humen No. 2 Bridge project which had a high contract value and contributed a significant portion of the revenue generated in 2017.

Prestressed Materials Business

Revenue from our Prestressed Materials Business decreased by 3.1% from RMB891.9 million to RMB864.5 million. This decrease was mainly attributable to a 9.9% decrease in sales of our rare earth coated prestressed products partially offset by a 96.3% increase in sales of our galvanised prestressed products. Our sales of rare earth coated prestressed products decreased mainly due to decreased market demand for such products leading to our greater focus on the production and sales of galvanised prestressed products, which requires us to use greater resources in terms of raw materials and labour than rare earth coated prestressed products. The increase in sales of galvanised prestressed products was primarily due to our greater focus on the production and sales of galvanised prestressed products as well as greater market demand for such products.

Cost of sales

Cost of sales decreased by 1.4% from RMB1,071.8 million in 2017 to RMB1,056.8 million in 2018, which was mainly attributable to the decrease in sales volume for our Prestressed Materials Business.

The cost of sales for our Cable Business increased by 17.8% from RMB278.5 million in 2017 to RMB328.1 million in 2018 mainly due to (i) increased sales in our Cable Business as the sales volume of cables increased from 39,442 tonnes in 2017 to 42,592 tonnes in 2018; and (ii) higher cost of raw materials from the production of higher value products.

Our cost of sales for Prestressed Materials Business decreased by 8.1% from RMB793.3 million in 2017 to RMB728.7 million in 2018 mainly due to the 26.5% decrease in sales volume in our Prestressed Materials Business reflecting (i) a decrease in sales volume of rare earth coated prestressed products due to decreased market demand as discussed above; and (ii) a decrease in orders for plain surface prestressed products due to lower market demand and the competitive nature of the market, and partly offset by an increase in sales volume of galvanised prestressed products due to our greater focus on the production and sales of such products as well as greater market demand for such products.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 32.8% from RMB245.9 million in 2017 to RMB326.5 million in 2018.

Overall gross profit margin increased from 18.7% in 2017 to 23.6% in 2018, which was primarily due to an increase in gross profit margin from the Prestressed Materials Business in 2018, coupled with a higher revenue contribution from the Cable Business, which had a higher gross profit margin of 36.8% in 2018, as compared to our sales from our Prestressed Materials Business, which had a gross profit margin of 15.7% in 2018.

The gross profit margin for our Cable Business increased from 34.6% in 2017 to 36.8% in 2018 primarily due to the changes in product mix as a result of an increase in sales of higher value products for our stay cable projects.

The gross profit margin for our Prestressed Materials Business increased from 11.1% in 2017 to 15.7% in 2018 mainly because of an increase in the average selling price of our prestressed materials products as discussed above.

Other revenue

Other revenue increased by 0.9% from RMB11.4 million in 2017 to RMB11.5 million in 2018. This increase was primarily attributable to an increase of RMB1.2 million in government grants which includes incentives for technology development, offset by a decrease in interest income from performance bond deposits for our Cable Business.

Other gains and losses

We recorded other loss of RMB4.1 million in 2018 as compared to other loss of RMB1.9 million in 2017. The loss was primarily attributable to the increase in the impairment loss recognised on trade and retention receivables reflecting an increase in the gross trade receivables balance in 2018.

Distribution and selling expenses

Distribution and selling expenses decreased by 7.3% from RMB21.3 million in 2017 to RMB19.8 million in 2018. This decrease was mainly attributable to the decrease of RMB1.7 million in transportation costs primarily due to shorter delivery distances for projects under our Cable Business and more of our smaller project customers taking on delivery costs themselves.

Administrative expenses

Administrative expenses decreased by 13.5% from RMB38.5 million in 2017 to RMB33.3 million in 2018. This decrease was mainly attributable to (i) a decrease of RMB2.4 million in listing expenses incurred for the preparation of listing on the Hong Kong Stock Exchange; (ii) a decrease of RMB1.0 million in other taxes mainly due to a tax exemption on land use tax and property tax granted by the local tax authority in 2018; and (iii) a decrease of RMB1.5 million in audit and professional fee.

Research and development expenses

Research and development expenses decreased by 10.8% from RMB60.2 million in 2017 to RMB53.7 million in 2018. This decrease was mainly attributable to a decrease in the cost of materials for testing by RMB5.4 million due to a decrease in the number of research and development projects and a decrease in depreciation by RMB0.9 million as some of our testing machines have been fully depreciated in 2017.

Finance costs

Finance costs increased by 58.6% from RMB34.5 million in 2017 to RMB54.7 million in 2018. This increase was mainly attributable to an increase in bank borrowings. The average monthly balance for bank borrowings was RMB417.0 million in 2017 and RMB654.4 million in 2018. The weighted average interest rate was 5.89% in 2017 and 6.05% in 2018.

Income tax expense

Income tax expense increased by 95.9% from RMB12.2 million in 2017 to RMB23.9 million in 2018. This increase was primarily attributable to an increase in current tax charge primarily as a result of the increase in profit before tax. Our effective tax rate increased from 12.1% in 2017 to 13.8% in 2018 mainly due to difference in provision estimates for two of our PRC subsidiaries, Ossen Innovation Materials and Ossen (Jiujiang) and the actual amount of tax paid. The net difference resulted in additional income tax expense of RMB0.8 million in 2018 represented approximately 3.2% of our Group's income tax expense in 2018. The change was mainly due to adjustments to the deductibility of certain research and development expenses in our 2017 tax assessment by local tax authorities. Such adjustments were due to the different interpretation on the deductability of certain research and development expenses items by us and the tax authorities. Accordingly, such difference was settled during the year ended 31 December 2018.

As advised by our PRC Legal Advisors, pursuant to the "Enterprise Income Tax Law of the PRC", each of our PRC operating subsidiaries is required to prepay tax every month or quarter based on their calculation on their income tax payable for that corresponding period. For each financial year, pursuant to the "Measures for the Administration of Final Settlement and Payment of Enterprise Income Tax", we are required to provide tax filings to the tax authorities for annual tax assessment and claim or settle the difference between the annual tax payable and prepaid tax to/from the tax authorities based on the tax authorities' final tax assessment amount.

As advised by our PRC Legal Advisors, while the PRC tax authorities have the power to re-assess and object to the Group's research and development expenses deducted in previous years, the likelihood that the tax authorities would do so is remote due to the following:

(a) We had made the relevant 2015, 2016 and 2017 filings to the relevant tax authorities in accordance with the relevant laws and regulations of the PRC, the tax calculations for 2015, 2016 and 2017 had been reviewed by the tax authorities and any difference resulting from the final tax assessment has been settled. For the 2018 filings, we will submit the relevant annual tax filings to the tax authorities by the end of May 2019 in accordance with the relevant tax laws and regulations of the PRC;

(b) As confirmed by our Reporting Accountants, the tax calculations submitted had been prepared in accordance with the relevant tax laws of the PRC; and

(c) Each of our PRC operating subsidiaries had obtained a certificate of compliance issued by the relevant tax authorities in relation to the tax obligations for the financial year of 2015, 2016 and 2017, respectively. During the Track Record Period and up to the Latest Practicable Date, the Company and its subsidiaries had not been subject to any fines, penalties or other legal actions by government authorities in the PRC resulting from any non-compliance with any tax laws in the PRC.

Thus, based on the above, the risk that the tax authorities would re-assess and object to our research and development expenses deduction claimed in previous years is remote.

Profit for the period

As a result of the foregoing, profit for the period increased by 67.6% from RMB88.7 million in 2017 to RMB148.6 million in 2018. Net profit margin increased from 6.7% in 2017 to 10.7% in 2018, primarily due to an increase in gross profit margin.

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

Revenue

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

Cable Business

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

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

Prestressed Materials Business

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

Cost of sales

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

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

Gross profit and gross profit margin

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

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

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

Other revenue

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

Other gains and losses

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

Distribution and selling expenses

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

Administrative expenses

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

Research and development expenses

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

Finance costs

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

Income tax expense

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

Profit for the year

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

LIQUIDITY AND CAPITAL RESOURCES

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

Working capital

We had net current assets of RMB847.2 million, RMB986.2 million, RMB1,100.5 million and RMB1,046.6 million as at 31 December 2016, 2017 and 2018, and 31 March 2019, respectively. However, we recorded net cash flows used in operating activities of RMB171.1 million in 2017 and RMB137.3 million in 2018.

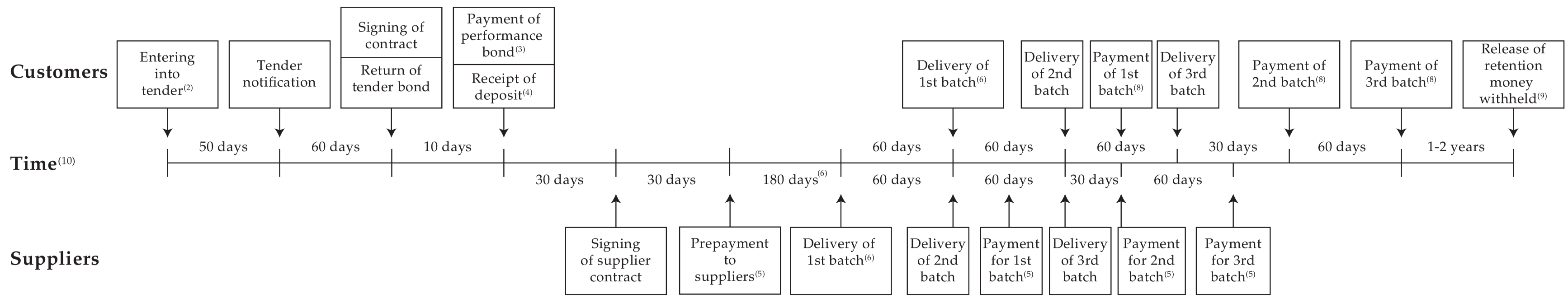
Our operations are working capital intensive due to the nature of our industry, which is inherent in our business model. We utilise a significant amount of working capital for upfront prepayment to our suppliers to procure raw materials for our products and to provide deposit guarantees (in terms of tender and performance bonds) for our Cable Business. We generally provide prepayments for our primary suppliers of up to 80% of our estimated 12 months procurement volume on a rolling basis (for our Prestressed Materials Business) or total contract value (for our Cable Business). Such high percentage of prepayments are common in the Cable Business industry we operate because suppliers tailor make our supplies in accordance with our specifications and are also common in the Prestressed Materials Business industry in order to secure favourable treatment in terms of pricing and supply, according to Frost & Sullivan. However, our Cable Business customers provide us with a deposit of up to 20% of the contract value for some of our projects, which we record as contract liabilities on our balance sheet. Please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — We recorded operating cash outflows for 2017 and 2018 because our operations are working capital intensive, any insufficient levels of liquidity may adversely affect our cash flow and working capital and results of operations".

We finance our working capital primarily through our banking credit facilities (including bank acceptance bills). As at 31 March 2019, we had total banking credit facilities (comprising bank borrowings, bank acceptance bills, guarantee letters and letter of credits) of RMB2,042.3 million, of which RMB846.5 million were available for drawdown. We have historically maintained good relations with our principal banks and had not experienced any difficulties in utilising our banking credit facilities. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulties in renewing or rolling-over our bank loans. We have not experienced any significant difficulties in obtaining credit facilities, nor have we experienced a withdrawal of banking facilities, request for early repayment by banks, or default in breach of financial covenants during the Track Record Period and up to the Latest Practicable Date.

We also expect to receive net proceeds from the Global Offering of approximately HK$572.1 million (or RMB507.5 million), of which around 24.2% or HK$138.4 million (or RMB122.8 million) will be used for the repayment of bank borrowings; following our Listing, we expect our borrowing capacity to increase by at least the same amount. In addition, around 10% or HK$57.4 million (or RMB50.7 million) of the net proceeds from the Global Offering will be used for our working capital and general corporate purposes. Please refer to the section headed "Future Plans and Use of Proceeds" for further details.

The below chart is an illustration for our payments and receipts timeframe of a typical project in each of our business segment:

Cable Business[(1)]



Notes:

(1) The following illustration is for a cable project that goes through a tendering process.

(2) When we submit our tender documents, we are required to provide a specified amount as tender bond, which will normally be returned to us 60 days after the publication of the results of the tender, whether or not we win the tender.

(3) Typically for an open tender contract, we are required to provide a performance bond of approximately 5% to 10% of the contract value. In some cases, the tender bond can be used for the payment for performance bond.

(4) For certain sales contracts, we require our customers to pay us an initial deposit of up to 20% of the contract value.

(5) We typically make prepayments of up to 80% of the total contract value and the remaining balance is payable upon receipt of delivery based on 90 days credit term.

(6) Suppliers normally deliver the raw materials in batches, and we normally commence our production of bridge cables in batches and deliver our finished goods to the customers in batches. As a result, the actual production time needed and the number of batches for each project delivery vary depending on the contract as well as specifications and complexity of the products required.

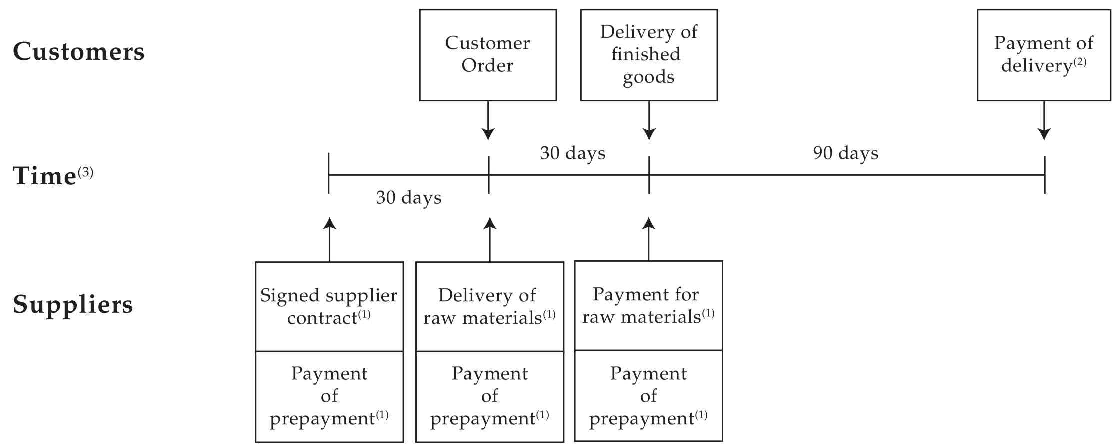
(7) This actual delivery date will depend on the notification from the customer, which will depend on the progress of the construction schedule of the bridge contract.

(8) Customer payments to us are in batches and are based on 90 days credit term.

(9) For the majority of our projects, our customers typically withhold 5% to 10% of the contract value as retention money, which will be withheld from their payment for each batch of delivery. Such retention money is released to us after deducting any warranty claims, upon expiration of the warranty period and obtaining the certificate of expiration of warranty period after the completion of the construction of the bridge, which is typically one to two years.

(10) The timeframe is for illustration purposes only, the actual timeframe for each stage may differ depending on factors, including but not limited to, the terms in the tender document for each specific project, the negotiation with the suppliers/customers, actual progress of the customers' delivery schedule and the complexity and specification of each project. As a result, the timeframe for each actual project may vary significantly.

Prestressed Materials Business



Notes:

(1) We have signed an annual framework agreement with the Shagang Group, our major supplier during the Track Record Period and we typically provide prepayments of up to 80% of our estimated 12-months procurement volume on a rolling-basis. At the end of each month, we replenish the prepayment level with the Shagang Group based on our annual forecasted procurement schedule and settle the outstanding balance of the delivered raw materials.

(2) Customer payments to us are based on 90 days credit term after the delivery and invoice of finished goods.

(3) The timeframe is for illustration purposes only, the actual timeframe for each of the stage may differ depending on factors, including but not limited to, the terms for each purchase or sales order, actual progress of the customers' delivery schedule and the complexity and specification of each order. As a result, the timeframe for each actual order, delivery and payment may vary significantly.

Liquidity Management Measures

Our finance team maintains liquidity and working capital management measures to manage our working capital position. Designated members prepare monthly cash flow forecasts, which are reviewed and approved by our senior management and/or Directors, to help ensure that we have sufficient cash to meet our working capital requirements for our business operations and to repay bank borrowings as they come due. Based on these cash flow forecasts, we have been able to reliably and successfully monitor our cash inflows and outflows.

For the Cable Business:

Prior to entering into a tender, our executive management, sales and marketing team and finance team would review and evaluate the likelihood of success of the tender based on our experience and project track record, taking into account the financial resources needed for the tender and for completing the project.

Upon winning the tender, the sales and marketing team and finance team would negotiate the commercial aspect of the contract with specific emphasis on terms of delivery and payment, amount of performance bond, amount of retention monies and initial deposits from customers, if any.

Upon signing the contract with the customer, we will engage and negotiate a supply contract with our raw materials supplier based on the indicative delivery schedule provided in the customer contract. Due to the customised nature of our supplies, our suppliers generally require us to provide prepayments of up to 80% of the total supplier contract value.

Based on the foregoing, we would be able to reasonably estimate the required cash inflows and outflows that would be incorporated into our overall cash flow forecast for the project. Our team will track the payment milestones to ensure timely payment and adjust our cash forecast accordingly should there be any changes.

For the Prestressed Materials Business:

We have an existing framework agreement with the Shagang Group in order to help secure favourable treatment in terms of pricing and supply of raw materials, and we typically provide prepayments of up to 80% of our estimated 12-months procurement volume on a rolling basis to the Shagang Group. We assess and communicate on a monthly basis the level of our inventories and projected sales volume as well as the level of prepayments we have with the Shagang Group. We will replenish our prepayment levels with the Shagang Group on an as-needed-basis.

Upon receiving requests for quotations from prospective customers, our sales and marketing and finance teams will assess the credit risk of such customers before submitting a price quote, and if agreed by the prospective customer, our team will negotiate the commercial aspects of the order with specific emphasis on the terms of delivery and payment.

Based on the foregoing, we would be able to reasonably estimate the required cash inflows and outflows that would be incorporated into our overall cash flow forecast, and our team will track the payment milestones to ensure timely payment and adjust our cash forecast accordingly should there be any changes.

For the Cable Business and Prestressed Materials Business:

During the Track Record Period, we have implemented liquidity management measures at both the project level and at the business unit level. At the project level, we have dedicated a project manager from our sales team for each specific project and our finance team will act as a supporting function to monitor the status of the trade receivables. After we have signed the contract with the customer, our finance team would establish an invoicing schedule setting out the approximate time for invoice issuance based on the delivery schedule as stipulated in the contract. Upon confirmation of receipt of delivery by the customer, our sales team would inform the finance team, which would normally issue the invoice to the customer at month end. Both the finance team and sales team would review and monitor the status of any outstanding invoices and the status of the settlement of such invoices. For overdue trade receivables, the sales team take more proactive steps to liaise with these customers, including making telephone phone calls, making sales visits and sending payment reminders.

At the business unit level, our senior management and executive Directors also regularly communicate with the sales and finance teams, monitoring the status of trade receivables and determining if any follow-up actions, including extending the credit period, would be needed to recover any overdue trade receivables. In addition, at the beginning of each month, our finance team would assess the amount of overall working capital that our Group requires for the month, which may include any prepayments, trade payables, tender bonds and other operating expenses for the month. Based on the cash balance we have on hand, the finance team would determine whether any drawdown from our unutilised banking facilities is needed. Moreover, our finance team also regularly monitors the ageing of our trade receivables and liaises with our sales team to track and monitor the status of our outstanding trade receivables, and to make appropriate provisions as necessary.

We have continued to monitor the cash flow movements for our customer orders and have adopted the following measures to improve our cash flow position:

- closely monitoring the invoicing schedule and payment recovery process by our project managers;

- proactively monitor the status of the outstanding invoices and take necessary follow-up actions by our sales team such as making telephone calls to customers to remind them on the invoice status, making sales visits and sending payment reminders;

- negotiate payment terms with our suppliers allowing our Group to have longer payment and settlement period by our procurement team; and

- ensure that our sales are made to customers with good credit histories and our sales team regularly performs credit evaluations on our customers by assessing their current financial position.

During the Track Record Period, we have not experienced any major difficulties with maintaining sufficient working capital notwithstanding the growth in our business. However, to the extent we expect to have working capital issues or in case of an economic downturn in China that may affect our business, we may reduce the number and/or value of projects we bid for under our Cable Business or take on fewer orders from our customers under our Prestressed Materials Business in order to ensure that we have sufficient amount of working capital for our business operations.

Liquidity Sufficiency

The following table sets out the details of our Group's financial liabilities and expected capital expenditures that are due within one year as at 31 December 2018, and our expected sources of funding for such liabilities:

	As at 31 December 2018 *RMB (million)*	**Sources of funding**
Within 1 year		
Trade payables	56.3	Mix of cashflow generated from operating activities and revolving banking facilities
Other payables and accruals	64.6	Mix of cashflow generated from operating activities and revolving banking facilities
Banking credit facilities (including bank borrowings, bank acceptance bills, guarantee letters and letter of credits)(Note)	957.9	Approximately RMB122.8 million guaranteed by the Controlling Shareholder and its related parties will be repaid using proceeds from the Global Offering, the remaining will be renewed/ repaid using revolving banking facilities
Amount due to a shareholder	18.7	Working capital from proceeds from the Global Offering
Capital expenditures		Proceeds from the Global Offering
– purchase of property, plant and equipment	51.2	
– payment for prepaid land lease payment	10.0	
	1,158.7	

Note: The amount of repayment of banking credit facilities from 1 January 2019 to 31 December 2019 is less than the Group's current portion of banking credit facilities as at 31 December 2018 as certain bank borrowings of the Group were classified as current liabilities because these loan agreements contain a repayment on demand clause. However, such loans will not fall due within one year in accordance with their respective repayment schedule.

The Directors have taken into account working capital requirement in the next 12 months and considered the following financial resources available for our Group:

(a) Proceeds from the Offering

It is expected that approximately HK$57.4 million (RMB50.9 million) from the Offering proceeds will be used for working capital and general corporate purposes. In addition, approximately HK$138.4 million (RMB122.8 million) from the Offering proceeds will be used to repay the bank borrowing guarantees provided by the Controlling Shareholder and his related parties; and all the capital expenditure expected for the coming 12 months, including (i) the construction of galvanised prestressed products production lines for our Prestressed Materials Business; (ii) the purchase of additional production equipment and environment protection facilities for our Prestressed Materials Business; and (iii) expansion of research and development centre for our Cable Business which will be funded by the proceeds from the Offering.

(b) Banking facilities and operating cashflow

As at 31 March 2019, the Group had banking credit facilities of around RMB2,042.3 million, of which RMB1,252 million were revolving bank facilities. In particular, we have obtained revolving credit facilities of RMB1,000 million from a Shanghai bank, which is included as part of total banking credit facilities mentioned above. It is expected that this will be sufficient to fund the general working capital of the Group and to repay bank borrowings.

The Group expects to receive payment from the delivery of goods to high contract value projects such as 1915 Canakkale Bridge, Tiger Leaping Gorge Jinsha River Bridge and Jinji Dadan Jinshajiang Bridge. It is expected that the operating cashflow together with our banking facilities will be sufficient to fund the general working capital including any prepayments to suppliers and performance bonds to customers of newly signed contracts for Cable Business.

Based on the above analysis, and a review of the financial resources available for the Group, our Directors believe, and the Sole Sponsor concurs that the Group will have sufficient working capital for its present requirements covering at least 12 months from the date of this Prospectus.

In addition, with the Group's listing status, our Directors believe that:

- our Group's credit rating and credit worthiness will be enhanced, thereby facilitating our ability to borrow from banks as well as access to the capital market at more favourable interest rates; and

- our Group will have a stronger bargaining power to obtain better credit terms from our suppliers.

CASH FLOWS

The following table sets out our selected consolidated cash flow data for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Operating profits before working capital changes	139,808	142,446	235,878
Net cash flows generated from/(used in) operating activities	56,613	(171,064)	(137,328)
Net cash flows generated from/(used in) investing activities	42,457	12,917	(19,183)
Net cash flows generated from/(used in) financing activities	(55,049)	66,851	204,352
Net increase/(decrease) in cash and cash equivalents	44,021	(91,296)	47,841
Cash and cash equivalents at the end of the year	104,881	13,571	61,401

Cash flows from operating activities

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

In 2018, our net cash flow used in operating activities was RMB137.3 million primarily due to the increase in the sales of our Cable Business as well as increased prepayments as a result of increased backlog of the Cable Business. In 2017, our net cash flow used in operating activities was RMB171.1 million mainly due to the business expansion in our Cable Business and an increase of prepayment to the Shagang Group.

Net cash flow used in operating activities in 2018 (excluding income taxes paid of RMB15.1 million) was RMB122.2 million, while profit before income tax was RMB172.5 million. After adjusting for non-cash items, our operating profits before working capital changes was RMB235.9 million in 2018, and accordingly, net working capital usage was RMB358.1 million for the year. Changes in working capital consisted mainly of (i) an increase of RMB262.1 million in trade, retention and bills receivables primarily because we recognised revenue from a significant number of bridge cable projects during the 4th quarter of 2018 including Egongyan Railway Bridge, Qatar Stadium, Qimen Port Bridge and Shenhai Fisheries anchoring cable, the receivables of which remained outstanding as at 31 December 2018, (ii) a RMB245.7 million increase in prepayments, deposits and other receivables mainly due to (a) an increase in prepayment for procuring raw materials for several upcoming bridge cable projects and (b) an increase in prepayments as we had to provide extra prepayment to procure our semi-finished galvanised products for further processing prior to the restoration in December 2018 of our galvanisation production line from the power interruption at our Jiujiang production facility as well as increased demand for galvanised prestressed products and (c) an increase in prepayments to our suppliers, and in particular, the Shagang Group in order to secure favourable treatment in terms of supply (55,431 tonnes as at 31 December 2018) of raw materials; and (iii) an increase in trade and bills payables of RMB166.4 million mainly as a result of (a) an increase in trade payables for purchases of raw materials and (b) an increase in bills payables as we increased our use of bills payables for working capital purposes in our Cable Business.

Net cash flow used in operating activities in 2017 (excluding income taxes paid of RMB11.7 million) was RMB159.3 million, while profit before income tax was RMB100.8 million. After adjusting for non-cash items, our operating profits before working capital changes was RMB142.4 million in 2017, and accordingly, net working capital usage was RMB301.7 million for the period. Changes in working capital consisted mainly of (i) an increase of RMB423.2 million in prepayments, deposits and other receivables mainly as a result of an increase in prepayment to our suppliers, and in particular, the Shagang Group to secure the supply (81,494 tonnes as at 31 December 2017) and price of raw materials and increase in tender deposits for projects under our Cable Business, (ii) a decrease in trade and bills payable of RMB50.3 million mainly attributable to decrease in use of bills payables for working capital, (iii) a decrease in inventories of RMB89.0 million as we drew down our raw materials inventories mainly because we made prepayments to suppliers to secure the supply and price of raw materials and (iv) a decrease in trade, retention and bills receivable of RMB34.1 million.

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

Cash flows from investing activities

Net cash used in investing activities in 2018 was RMB19.2 million. This consisted mainly of a RMB20.9 million increase in restricted bank deposits mainly due to an increase in bank deposit requirements as a result of an increase in bills payables.

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

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

Cash flows from financing activities

Net cash generated from financing activities in 2018 was RMB204.4 million. This consisted mainly of (i) net bank borrowings of RMB247.6 million mainly used for working capital purposes; and (ii) payment of interest in the amount of RMB49.9 million.

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

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

Net current assets

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

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current Assets				
Inventories	226,390	137,417	176,693	251,144
Trade, retention and bills receivables	578,343	545,044	803,198	700,019
Prepayment, deposits and other receivables	491,699	952,682	1,203,214	1,299,416
Prepaid land lease payments-current portion	762	762	762	762
Restricted bank deposits	119,629	110,720	131,653	144,522
Cash and cash equivalents	104,881	13,571	61,401	98,510
	1,521,704	1,760,196	2,376,921	2,494,373
Current liabilities				
Trade and bills payables	284,191	233,899	400,249	550,181
Contract liabilities	18,470	40,556	46,298	69,283
Other payables and accruals	21,083	47,537	64,558	55,364
Bank borrowings	337,437	433,437	730,994	741,850
Amount due to a shareholder	6,986	12,029	18,730	22,667
Amounts due to related parties	27	–	–	–
Income tax payable	6,270	6,553	15,631	8,380
	674,464	774,011	1,276,460	1,447,725
Net current assets	847,240	986,185	1,100,461	1,046,648

Our net current assets decreased from RMB1,100.5 million as at 31 December 2018 to RMB1,046.6 million as at 31 March 2019 primarily due to (i) an increase in trade and bills payables of RMB149.9 million mainly due to an increase in bills payables for working capital purposes in our Cable Business, and (ii) a decrease of RMB103.2 million in trade, retention and bills receivables mainly attributable to a decrease in trade receivables in our Prestressed Materials Business, partially offset by (iii) an increase of RMB96.2 million in prepayment, deposits and other receivables mainly due to an increase in prepayment to our suppliers to help secure favourable treatment in terms of pricing and supply of raw materials, and (iv) an increase of RMB74.5 million in inventories mainly due to an increase in raw materials inventories mainly due to increase in sales orders.

Our net current assets increased from RMB986.2 million as at 31 December 2017 to RMB1,100.5 million as at 31 December 2018 primarily due to (i) an increase of RMB258.2 million in trade, retention and bills receivable mainly because we recognised revenue from a significant number of bridge cable projects during the 4th quarter of 2018 including Egongyan Railway Bridge, Qatar Stadium, Qimen Port Bridge and Shenhai Fisheries anchoring cable, the receivables of which remained outstanding as at 31 December 2018; (ii) an increase of RMB20.9 million in restricted bank deposits; (iii) an increase of RMB39.3 million in inventories primarily due to an increase in work-in-progress and finished goods inventories mainly due to increased in sales orders and an increase in finished goods that are yet to be delivered; and (iv) an increase of RMB250.5 million in prepayment, deposits and other receivables mainly due to an increase in prepayment to our suppliers to help secure favourable treatment in terms of pricing and supply of raw materials, partially offset by (v) an increase of RMB166.4 million in trade and bills payables mainly as a result of (a) an increase in trade payables for purchases of raw materials; and (b) an increase in bills payables for working capital purposes in our Cable Business; and (vi) an increase in bank borrowings of RMB297.6 million.

Our net current assets increased from RMB847.2 million as of 31 December 2016 to RMB986.2 million as at 31 December 2017 primarily due to (i) an increase of RMB461.0 million in prepayment, deposits and other receivables due to an increase in prepayment to our suppliers to help secure favourable treatment in terms of pricing and supply of raw materials and increase in tender deposits for projects under our Cable Business, partially offset by (ii) a decrease of RMB89.0 million in inventories mainly because we drew down our raw materials inventories as we made prepayments to suppliers to secure the supply and price of raw materials, (iii) an increase in bank borrowings of RMB96.0 million, and (iv) a decrease in cash and cash equivalents of RMB91.3 million.

INDEBTEDNESS

Interest-bearing bank borrowings

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

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current				
Secured interest-bearing bank				
– short-term bank loans	337,437	433,437	730,994	741,850
Non-current				
Secured interest-bearing bank				
– long-term bank loans	50,000	50,000	–	–
Total borrowings	387,437	483,437	730,994	741,850

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

	As at 31 December			As at 31 March
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Analysed into:				
– within one year	337,437	433,437	730,994	741,850
– More than one year, but not exceeding two years	–	–	–	–
– More than two years, but not exceeding five years	50,000	50,000	–	–
Total borrowings	387,437	483,437	730,994	741,850

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

	As at 31 December			As at 31 March
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Effective interest rates:				
Bank borrowings	0.01%-6.29%	0.05%-8.00%	0.04%-8.00%	1.16%-8.00%

We had interest-bearing bank borrowings in the amount of RMB387.4 million, RMB483.4 million, RMB731.0 million and RMB741.9 million as at 31 December 2016, 2017 and 2018, and 31 March 2019, respectively, all of which were denominated in Renminbi. Our bank borrowings increased significantly during the Track Record Period primarily due to increased working capital needs due to our growth, and in particular, prepayments to suppliers and tender and performance bonds for projects under our Cable Business. Our bank borrowings increased from RMB483.4 million as at 31 December 2017 to RMB731.0 million as at 31 December 2018 and further to RMB741.9 million as at 31 March 2019 mainly due to the increase in bank borrowings for working capital purposes. As at 31 March 2019, the amount of unutilised banking credit facilities of our Group was approximately RMB846.5 million.

Certain of our interest-bearing bank borrowings were secured as at 31 December 2016, 2017 and 2018 by (i) certain buildings, leasehold improvement and machineries included in property, plant and equipment in the amounts of RMB68.8 million, RMB65.1 million and RMB62.1 million, respectively; and (ii) prepaid land lease payments with an aggregate carrying amount of RMB21.8 million, RMB21.2 million and RMB20.7 million, respectively.

During the Track Record Period, Dr. Tang and his related parties have provided guarantees to facilitate us to obtain credit facilities from various financial institutions. Please refer to Note 28 of the Accountants' Report in Appendix I to this prospectus. In addition, during the Track Record Period, the Group has given limited guarantees to various banks to secure banking facilities granted to certain related parties which have all been released as at 31 December 2018. Please refer to Note 39 of the Accountants' Report. As at 31 March 2019, the amount of utilised banking credit facilities (which comprised bank borrowings, bank acceptance bills, guarantee letters and letter of credits) of our Group was approximately RMB1,195.8 million, of which approximately RMB132.6 million was secured by guarantees provided by Dr. Tang and his related parties. Save for the amount of approximately RMB122.8 million to be repaid using our net proceeds from the Global Offering within six months after the Listing, the remaining credit facilities, if any, guaranteed by Dr. Tang and his related parties will be settled or released prior to or upon the Listing. For details of the settlement of the aforesaid credit facilities, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. Our Board is of the view that our Group would be able to obtain its own financing to support its business operations without undue reliance on our Controlling Shareholders, their controlled entities or their respective associates at the time of and after Listing.

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

- We are required to timely inform the bank of any material adverse change which may affect our repayment ability of the loan;
- We are required to immediately inform the bank of any factors which may inhibit, impair or delay performance of our obligations;
- We must ensure that the borrowings shall be applied for the purpose as stated in the relevant agreements; and
- We have agreed not to create any kind of encumbrance or security interest over our assets without the bank's written consent.

As at 31 March 2019, we had total banking credit facilities (which comprised bank borrowings, bank acceptance bills, guarantee letters and letter of credits) of RMB2,042.3 million, of which RMB846.5 million were available for drawdown. As at 31 March 2019, effective interest rates for borrowings under these credit facilities ranged from 1.16% to 8.00%. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulties in renewing or rolling over our bank loans. We currently do not have any plans to raise material external debt financing such as bond issuance. We have not experienced any significant difficulties in obtaining credit facilities, nor have we experienced a withdrawal of banking facilities, request for early repayment by banks, or default in breach of financial covenants during the Track Record Period and up to the Latest Practicable Date.

Amounts due to shareholder

We had unsecured and interest free borrowings from a shareholder, Dr. Tang, in the amount of RMB7.0 million, RMB12.0 million, RMB18.7 million and RMB22.7 million as at 31 December 2016, 2017 and 2018, and 31 March 2019, respectively. All outstanding amounts will be settled upon Listing using part of the net proceeds reserved for working capital purposes.

Indebtedness as at 31 March 2019

As at 31 March 2019, being the latest practicable date for the purpose of our indebtedness statement, except as disclosed in this prospectus or any intra-group liabilities, we did not have any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding.

Directors' confirmation

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

Our Directors have confirmed that there is no material adverse change in our indebtedness position since 31 March 2019 and up to the date of this prospectus.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

Inventories

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

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	210,024	110,988	109,615
Work-in-progress	6,601	17,312	31,819
Finished goods	9,765	9,117	35,259
	226,390	137,417	176,693

Our inventories significantly decreased from RMB226.4 million as at 31 December 2016 to RMB137.4 million as at 31 December 2017 primarily due to a decrease in raw materials inventories of RMB99.0 million that we drew down our raw materials inventories because we made prepayments to suppliers to help secure the supply and price of raw materials. Inventories increased from RMB137.4 million as at 31 December 2017 to RMB176.7 million as at 31 December 2018 mainly due to increased work-in-progress and finished goods inventories driven by increased sales orders and an increase in finished goods that are yet to be delivered.

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

	Year ended 31 December		
	2016	**2017**	**2018**
Average inventory turnover days[(1)]	95	62	54

Note:

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

The average inventory turnover days decreased from 95 days in 2016 to 62 days in 2017 as we drew down our raw materials inventories, and further decreased to 54 days in 2018 mainly because we increased our sales and delivery.

As at 31 March 2019, approximately RMB139.1 million or 78.4% of our inventories as at 31 December 2018 were subsequently utilised or sold.

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

Trade, retention and bills receivables

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

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

Our trade, retention, and bills receivables decreased slightly from RMB578.3 million as at 31 December 2016 to RMB545.0 million as at 31 December 2017, but increased to RMB803.2 million as at 31 December 2018 mainly because we recognised revenue from a significant number of bridge cable projects during the 4th quarter of 2018 including Egongyan Railway Bridge, Qatar Stadium, Qimen Port Bridge and Shenhai Fisheries anchoring cable, the receivables of which remained outstanding as at 31 December 2018.

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

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

The following table sets out the subsequent settlement by aging group for trade and retention receivables before impairment losses:

	Balance as at 31 December 2018	Subsequent settlement up to 31 March 2019	Balance as at 31 March 2019
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	211,965	68,025	143,940
Less than 3 month past due	257,470	124,038	133,432
3 – 6 months past due	165,012	32,609	132,403
7 – 12 months past due	89,675	13,610	76,065
More than 1 year past due but less than 2 years past due	50,635	7,605	43,030
More than 2 years past due but less than 3 years past due	34,623	1,930	32,693
More than 3 years past due but less than 4 years past due	3,054	1,251	1,803
More than 4 years past due but less than 5 years past due	5,766	600	5,166
Over 5 years past due	7,510	246	7,264
Total	825,710	249,914	575,796

	For the year 31 December		
	2016	**2017**	**2018**
Average trade receivables turnover days(1)	135	120	158

Note:

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

As at 31 March 2019, approximately RMB250.0 million or 30.3% of our trade and retention receivables as at 31 December 2018 had been settled.

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

Our average trade receivables turnover days in 2016, 2017 and 2018 were 135 days, 120 days and 158 days, respectively. Such turnover days were consistently higher than the credit term of 90 days we generally grant to our customers. Due to the nature of the industry we operate in, a substantial portion of our revenue are derived from sale to major construction companies, which are related to or are in contract with government entities that construct infrastructure projects. Government related entities may take a longer period to complete their internal procedures for processing payments to us. Please see "Risk Factors — Risks Relating to our Business and Industry — We may experience delays or defaults in payment of trade and retention receivables from our customers, and we have a significant mismatch between our trade receivables and trade payables turnover days, which may adversely affect our cash flow and working capital and results of operations" in this prospectus.

Our trade receivables turnover days decreased from 135 days in 2016 to 120 days in 2017 mainly due to an improvement in our collection efforts, while the subsequent increase to 158 days in 2018 was primarily because we recognised revenue from a significant number of bridge cable projects during the 4th quarter of 2018 including Egongyan Railway Bridge, Qatar Stadium, Qimen Port Bridge and Shenhai Fisheries anchoring cable, the receivables of which remained outstanding as at 31 December 2018.

As at 31 December 2016, 2017 and 2018, we recorded an allowance for doubtful debts on our trade and retention receivables of RMB19.4 million, RMB18.6 million and RMB22.5 million, respectively. Trade and retention receivables that were past due but not impaired relate to customers that have a good track record and credit quality with us, and based on past experience, we are of the view that no provision for impairment is necessary in respect of these receivables. We have made full provision for all trade and retention receivables over five years, as based on our past experience, such receivables are generally not recoverable. For further details on trade, retention and bills receivables, including our credit exposure, please refer to Note 22 to the Accountants' Report in Appendix I to this prospectus.

Prepayments, deposits and other receivables

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

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

Our prepayments, deposits and other receivables significantly increased from RMB558.1 million as at 31 December 2016 to RMB979.0 million as at 31 December 2017 mainly due to (i) an increase in prepayment to our suppliers to help (i) secure favourable treatment in terms of pricing and supply of raw materials and (ii) an increase in our deposits for projects under our Cable Business. As at 31 December 2018, our prepayments, deposits and other receivables further increased to RMB1,219.9 million mainly due to (a) an increase in prepayment for procuring raw materials for several upcoming bridge cable projects such as the 1915 Canakkale Bridge in Turkey and Jinji Danda Bridge in China and (b) a further increase in prepayment to procure our semi-finished galvanised products for further processing prior to the restoration in December 2018 of our galvanisation production line from the power interruption at our Jiujiang production facility as well as increased demand for galvanised prestressed products.

Trade and bills payables

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

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

As of 31 December 2016, 2017 and 2018, bills payable of RMB119.5 million, RMB153.4 million and RMB170.7 million, respectively were secured by our restricted bank deposits of RMB62.4 million, RMB72.9 million and RMB69.2 million, respectively.

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

Trade and bills payables decreased from RMB284.2 million as at 31 December 2016 to RMB233.9 million as at 31 December 2017 primarily due to a decrease in use of bills payables for working capital purposes. The RMB166.4 million increase in trade and bills payables between 31 December 2017 and 31 December 2018 was primarily due to the increase in trade payables to suppliers for raw materials and the increased use of bills payables to finance our working capital in our Cable Business.

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

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

	For the year ended 31 December		
	2016	**2017**	**2018**
Average trade payables turnover days(1)	19	13	15

Note:

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

As of 31 March 2019, approximately RMB33.4 million or 59.2% of our trade payables as at 31 December 2018 had been settled.

Our average trade payables turnover days in 2016, 2017 and 2018 were 19 days, 13 days and 15 days, respectively. Such turnover days were much lower than the credit term of up to 90 days that we are generally granted by our suppliers mainly due to the significant amount of prepayments to suppliers for raw materials inventories.

Our trade payables turnover days decreased from 19 days in 2016 to 13 days in 2017 and increased to 15 days in 2018. Our trade payable turnover days were low mainly due to our increasing use of prepayments to suppliers.

Other payables and accruals

Other payables and accruals include payroll payable, value added tax payable, accrued operating expenses and others. Our other payables and accruals increased from RMB21.1 million as at 31 December 2016 to RMB47.5 million as at 31 December 2017 and further to RMB64.6 million as at 31 December 2018 primarily because of an increase in value added tax payable and accrued listing expenses.

Contract liabilities

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

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

Our contract liabilities increased from RMB18.5 million as at 31 December 2016 to RMB40.6 million as at 31 December 2017 and further to RMB46.3 million as at 31 December 2018 primarily due to an increasing number of projects under our Cable Business, including several projects with relatively large amounts of deposits.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for the maintenance of our production facilities and equipment in China. For the years ended 31 December 2016, 2017 and 2018, the carrying amount of our property, plant and equipment was RMB108.1 million, RMB99.3 million and RMB93.6 million, respectively, which consisted mainly of buildings with net carrying amounts of RMB75.2 million, RMB71.0 million and RMB67.3 million, respectively. The following table sets out our capital expenditures for the years indicated:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Additions of property, plant and equipment	1,296	1,996	3,259

During the Track Record Period, we did not have any commitments for capital expenditures. We currently expect our capital expenditures for the year ending 31 December 2019 to be approximately RMB50.0 million, which will be used mainly for (i) the construction of galvanised prestressed products production lines for our Prestressed Materials Business; (ii) the purchase of additional production equipment and environment protection facilities for our Prestressed Materials Business; and (iii) expansion of research and development centre for our Cable Business. Please refer to the section headed "Future Plans and Use of Proceeds" for details of our plan.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Operating Lease Commitments

The following table sets out our total operating lease commitments as at the years indicated:

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

As at 31 December 2018 and the Latest Practicable Date, we did not have any capital commitments for capital expenditures.

CONTINGENT LIABILITIES

Historically, we have given corporate guarantees to various banks to secure banking facilities granted to certain related parties and unrelated companies for the purposes of their general working capital purposes. Please refer to Notes 34 and 39 to the Accountants' Report in Appendix I to this prospectus for further details. Such guarantees have been released by various banks as at 31 December 2018.

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

RELATED PARTY TRANSACTIONS

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

OFF BALANCE SHEET TRANSACTIONS

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

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

FINANCIAL RATIOS

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

	As at/Year ended 31 December		
	2016	**2017**	**2018**
Current ratio(1)	2.26	2.27	1.86
Quick ratio(2)	1.92	2.10	1.72
Return on assets(3)	4.3%	4.6%	5.9%
Return on equity(4)	7.4%	8.1%	11.9%
Gearing ratio(5)	38.5%	44.1%	58.7%
Net debt to equity ratio(6)	28.0%	42.8%	53.8%
Net profit margin(7)	6.9%	6.7%	10.7%

Notes:

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

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

(3) Return on assets is calculated by dividing profit for the year by total assets as at the end of the year.

(4) Return on equity is calculated by dividing profit for the year by total equity as at the end of the year.

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

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

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

Current and quick ratios

Our current ratios as at 31 December 2016, 2017 and 2018 were 2.26, 2.27 and 1.86, respectively, and our quick ratio as at those dates were 1.92, 2.10 and 1.72, respectively. The increases in these ratios between 31 December 2016 and 2017 were generally due to an increase in current assets as a result of an increase in prepayments to suppliers and deposits to customers. The decreases in these ratios between 31 December 2017 and 31 December 2018 were generally due to the increase in current liabilities as a result of increased bank borrowings and an increase in trade and bills payables.

Return on assets

Our return on assets for the years ended 2016, 2017 and 2018 were 4.3%, 4.6% and 5.9%, respectively. Our return on assets increased slightly from 4.3% in 2016 to 4.6% in 2017 primarily due to increased profit after tax while our total assets increased at a slower rate. Our return on assets further increased to 5.9% in 2018 primarily due to increased profit after tax as a result of increased sales from our Cable Business.

Return on equity

Our return on equity for the years ended 31 December 2016, 2017 and 2018 were 7.4%, 8.1% and 11.9%, respectively. The general increase in return on equity from 2016 to 2018 was primarily due to a continued increase in profit after tax during those periods.

Gearing ratio

Our gearing ratio as at 31 December 2016, 2017 and 2018 were 38.5%, 44.1% and 58.7%, respectively. The increases in the gearing ratio between 31 December 2016 and 31 December 2018 were primarily due to an increase in bank borrowings to fund our working capital and growth.

Net debt to equity ratio

Our net debt to equity ratio as at 31 December 2016, 2017 and 2018 were 28.0%, 42.8% and 53.8%, respectively. Our net debt to equity ratio increased from 28.0% as at 31 December 2016 to 42.8% as at 31 December 2017 and further to 53.8% as at 31 December 2018 primarily due to increased bank borrowings and lower cash balances.

Net profit margin

Our net profit margin for the years ended 31 December 2016, 2017 and 2018 were 6.9%, 6.7% and 10.7%, respectively. Our net profit margin remained stable in 2016 and 2017 and increased from 6.7% in 2017 to 10.7% in 2018 primarily due to an increase in gross profit margin due to the increase in sales from our Cable Business, which had a relatively higher margin than our Prestressed Materials Business.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

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

Credit risk

Our customers are mainly reputable corporations that we consider creditworthy. It is our policy that all customers who wish to trade on credit terms with us are subject to credit verification procedures. We believe our credit risk is low as we perform ongoing credit evaluation on the financial condition of our debtors and tightly monitor the ageing of our receivables. Our management reviews the recoverable amount of receivables individually and collectively at each reporting date to ensure adequate impairment losses are made for irrecoverable amounts. The receivables balance of our top five customers were RMB173.7 million, RMB245.5 million and RMB241.2 million as at 31 December 2016, 2017 and 2018, respectively, which represented 36.8%, 45.0% and 30.0% of our total trade, retention and bills receivables as at those dates.

Interest rate risk

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

Liquidity risk

Our policy is to regularly monitor our liquidity requirements to comply with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of credit from major banks to meet our liquidity requirements. During the Track Record Period, we had not experienced any difficulties in renewing or roll-over our credit facilities. As at 31 December 2018, we had RMB1,218.4 million in financial liabilities due within one year or on demand. For more information on the maturity profile of our financial liabilities, please refer to Note 36 to our consolidated financial statements in the Accountants' Report set out in Appendix I to this prospectus.

Foreign currency exchange risk

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

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

DIVIDEND

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

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2018, our Company did not have any reserves available for distribution to our Shareholders.

LISTING EXPENSES

The total estimated expenses in relation to the Listing are approximately RMB57.7 million (based on the mid-point of the indicative Offer Price range and assuming that the Over-allotment Option is not exercised), of which approximately RMB54.4 million is borne by our Group and approximately RMB3.3 million is borne by the Selling Shareholders. During the Track Record Period, we incurred listing expenses of RMB19.8 million, of which RMB14.8 million was charged to our consolidated statement of profit or loss and other comprehensive income and the remaining amount of RMB5.0 million was recorded as prepayment which is expected to be capitalised upon Listing. We expect to further incur listing expenses (including underwriting commissions) of approximately RMB34.6 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, of which an estimated amount of approximately RMB14.8 million will be charged to our consolidated statement of profit or loss and other comprehensive income in 2019, and an estimated amount of approximately RMB19.8 million will be capitalised in 2019. We do not expect these listing expenses to have a material impact on our business and results of operations for the year ending 31 December 2019.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our consolidated net tangible assets attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only and is set forth below to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to owners of our Company as at 31 December 2018 as if the Global Offering had taken place on that date. Because of its hypothetical nature, the following unaudited pro forma data may not give a true picture of our consolidated net tangible assets attributable to owners of our Company as at 31 December 2018 or as at any future date.

	Consolidated net tangible assets attributable to owners of our Company as at 31 December 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets per Share(3) (4) (5)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$2.56 per Offer Share	1,216,038	418,795	1,634,833	2.04	2.30
Based on an Offer Price of HK$3.55 per Offer Share	1,216,038	594,421	1,810,459	2.26	2.55

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2018 are based on the consolidated net assets attributable to owners of the Group in the amount of RMB1,245.3 million, as extracted from the consolidated financial statements in the Accountants' Report included in Appendix I to this prospectus, less prepaid land lease payments in the amount of RMB29.2 million.

2. The estimated net proceeds from the Global Offering are based on 200,000,000 new shares to be issued and the indicative Offer Prices of HK$2.56 and HK$3.55 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses payable by the Group and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

3. No adjustment has been made to the consolidated net tangible assets attributable to owners of the Group as at 31 December 2018 to reflect any of the Group's trading results or other transactions entered into subsequent to 31 December 2018.

4. The pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 800,000,000 Shares were in issue assuming that the Global Offering had been completed and the Over-allotment Option was not exercised.

5. The pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$0.887 to RMB1.0. No representation is made that the HK$ RMB amounts have been, could have been or may be converted to RMB and HK$ or vice versa, at that rate or at all.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since 1 January 2019 and up to the Latest Practicable Date, we have secured several significant bridge cable projects in China. We were awarded 14 new contracts with a tender success rate of 77.8% and the aggregate amount of our total newly signed contract value in 2019 was approximately RMB350.3 million. For the three months ended 31 March 2019 compared to the same period in 2018, we recorded improved financial performance mainly attributable to the increase in the number of bridge cable projects for our Cable Business.

Our Directors have confirmed that, since 31 December 2018 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountants' Report included in Appendix I to this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

REASONS FOR THE LISTING

Genuine funding need to expand our business

Our operations are working capital intensive due to the nature of our industry. Our Directors believe the Listing will help alleviate our liquidity risks, allowing our business to continue to expand by taking on further orders from our customers under our Prestressed Materials Business and bid for more and/or higher value projects under our Cable Business.

Historically we have spent a significant amount of cash on our operating activities, principally to procure raw materials and to provide deposit guarantees for our Cable Business. We generally provide prepayments to our primary suppliers of up to 80% of our estimated 12 months procurement volume on a rolling basis (for our Prestressed Materials Business) or of total contract value (for our Cable Business), which results in pressure on our working capital. In addition, our Cable Business projects may require us to provide deposit guarantees of between 5% to 10% of the contract value (in terms of performance bonds). Please see "Financial Information — Liquidity and Capital Resources" for further details.

Moreover, our trade receivables turnover days have historically been relatively high because substantial proportion of our revenue generated from the Cable Business is derived from sales to bridge construction project companies or contractors of these construction projects which may require funding from local governments. For such projects, it may take a longer period for them to complete their internal procedure for processing payments to us, which results in further pressure on our working capital as we expand our Cable Business. Please see "Financial Information — Description of Selected Consolidated Statement of Financial Position Items — Trade, retention and bills receivables".

In order to fund our growth during the Track Record Period, we have increasingly relied on our banking credit facilities to finance our working capital; and our total bank borrowings have increased from RMB387.4 million as at 31 December 2016 to RMB483.4 million as at 31 December 2017 and further to RMB731.0 million as at 31 December 2018. In addition, we recorded net cash used in operating activities of RMB137.3 million for the year ended 31 December 2018. While our available sources of cash during the Track Record Period was sufficient for maintaining our historical growth and business operations, our Directors consider it necessary for us to diversify our funding sources rather than to only rely on our available banking credit facilities to fund our growth and maintain our operations going forward. Our banking credit facilities are short-term in nature as is common in the PRC, and are subject to changes in interest rates and other macro-economic factors that may prevent us from obtaining and/or rolling-over our bank borrowings upon maturity. Please see "Risk Factors — Risks Relating our Business and Industry — We recorded operating cash outflows for 2017 and 2018 because our operations are working capital intensive, any insufficient levels of liquidity may adversely affect our cash flow and working capital and results of operations".

Implementation of our business strategies

As disclosed under the section headed "Business — Business Strategies", our business strategies include, among other things, capturing growing market opportunities, continuing to upgrade our production facilities, continuing to invest in our research and development, as well as exploring business acquisition opportunities, all of which require the increase use of capital. Our Directors believe that it would be difficult for us to pursue these strategies without raising additional equity financing. To do so based solely on increasing our short-term bank borrowings would be difficult to implement as these strategies require long-term investments and would significantly increase our liquidity risk. In addition, as a publicly listed company on a major stock exchange, our Directors believe that our customers, suppliers and creditors may increase their trust in us and prefer to do business with us in contrast to competitors that are not so listed. This is not only because the Listing will improve our capital structure, but also because we will be subject to ongoing regulatory compliance for announcements, public financial disclosures and general regulatory supervision by the regulatory bodies. The Listing will also grant us access to a larger investor base and additional fund-raising channels which may allow us to raise capital from time to time in order to accelerate the pace in achieving our business objectives.

Apart from using the funds from the Listing to improve our liquidity, our Group's business operations also depend on the availability of funds to invest in fixed assets for business expansion. Due to the nature of our manufacturing business, we require substantial investment in fixed assets for the sustainable growth of our business. In line with our business strategies, we plan to invest funds in our production capabilities for our business, including increasing our production capacity, purchasing production equipment and enhancing our research and development capabilities. In particular, by increasing our investment in capital expenditure, we will be able to better cope with the expected growing demand for our products, and benefit from the growth in the investment in fixed assets of infrastructure construction in China. Please refer to the "Industry Overview" for the market analysis of bridge cable and prestressed materials manufacturing market. As disclosed in the paragraphs under the "Use of Proceeds", we plan to allocate over 30% in capital expenditure for the construction of production facilities, including the purchase of equipment for production, research and development, and land acquisition.

Based on the above, our Directors consider that we have a genuine need for equity fund-raising in order to implement our future plans and expand our business, while at the same time, in order to maintain a sufficient level of working capital for our operations and for unforeseen circumstances.

FUTURE PLANS

Please refer to the sections headed "Business — Business Strategies" and "Business — Our Production — Expansion plan in the Prestressed Materials Business" in this prospectus for a detailed description of our future plans and expansion plan, respectively.

USE OF PROCEEDS

The net proceeds from the Global Offering (excluding the net proceeds from the Sale Shares), after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, are estimated to be approximately HK$572.1 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK$3.06 per Share, being the midpoint of the indicative Offer Price range of HK$2.56 to HK$3.55 per Share. Our Company will not be entitled to the net proceeds from the Sale Shares. We intend to use such net proceeds for the following purposes:

IMPLEMENTATION TIMELINE

We intend to apply the net proceeds from the Global Offering as follows:

Future plans	**Listing Date to 31 December 2019**	**1 January 2020 to 30 June 2020**	**1 July 2020 to 31 December 2020**	**Total**
	HK$ (million)	*HK$ (million)*	*HK$ (million)*	*HK$ (million)*
Repayment of banking facilities	138.4	–	–	138.4
Acquisition of business	–	–	144.2	144.2
Expansion of production facility for Prestressed Materials Business	43.4	82.6	–	126.0
Expansion of research and development centre for Cable Business	17.7	61.5	–	79.2
General working capital	57.4	–	–	57.4
Purchase of additional production equipment and environmental protection facilities	7.6	19.3	–	26.9
Total	264.5	163.4	144.2	572.1

Repayment of banking credit facilities

Approximately HK$138.4 million (approximately 24.2% of our total estimated net proceeds) will be used for the repayment of banking credit facilities obtained during our ordinary course of business primarily for the funding of our working capital that were secured by various personal and corporate guarantees. Such repayment of banking credit facilities include (i) bank borrowings with interest rates ranges between 5.2% to 7.0% which will be due for repayment within six months upon Listing; and (ii) other credit facilities which comprise bank acceptance bills, guarantee letters and letter of credits. We intend to repay such secured credit facilities within six months upon Listing. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial independence" for further details on the guarantees given by Dr. Tang and his related parties.

We intend to replace these bank borrowings with proceeds from the Listing mainly because these bank borrowings are guaranteed by Dr. Tang and his related parties. After the repayment of these bank borrowings, we would no longer be reliant on them for bank financing. Please see "Financial Information — Indebtedness" for further details.

In addition, in terms of funding costs, the one-off listing expenses to be incurred is expected to be less than the on-going interest that the Group will need to pay for the same amount of funds borrowed in the long term. In 2018, our weighted average interest rate for bank borrowings was 6.05% per annum while our one-off listing expenses is expected be around 8% of our gross proceeds.

Acquisition of business

Approximately HK$144.2 million (approximately 25.2% of our total estimated net proceeds) will be used for the acquisition of business in order to strengthen our competitiveness or potentially increase our scale of production by June 2021. We plan to make our acquisition partly using proceeds from the Listing and partly with other sources of funding, such as bank borrowings and other corporate financing activities such as bond issuances. These opportunities may include (i) acquisition of businesses that could potentially increase our future production capacity and increase our market share; and (ii) acquisition of upstream or downstream market participants to enhance our market position and brand recognition within the industry. Potential acquisition targets may include upstream market participants such as bridge design companies, or downstream market participants, such as bridge cable installation and maintenance companies, or companies that have production capacity that can be modified to produce the Company's bridge cables. When evaluating a potential acquisition, we will consider various factors including costs of acquisition, location (preferably in the Eastern region and the Western region of China), customer base, market share, technical know-how, production capacity, establishment of such target and the synergies expected to be generated. We consider that Eastern region would be preferred due to the short distance from the Group's headquarters in Shanghai, which could facilitate the management of the new business. We also consider that the Western region would be advantageous to our Cable Business due to the increasing volume of bridge construction in this region as promoted by the "13th Five Year Plan", and we anticipate that a potential business acquisition could lower product delivery costs and could extend our sales network.

Further, we will also consider whether the acquisition can help us tap into target segments or geographical markets. In particular, we plan to acquire a business that provides synergies with our Cable Business. The type of target business we are looking for within China include a consideration size range of between RMB150 million and RMB500 million, which could help increase our market share and expand our overseas customer base. Our selection criteria includes: the target's existing product portfolio, existing sales network, existing production capacity and its expansion potential, its current market position and the potential benefit that could bring to our Group as a whole. Our Directors believe that a business acquisition may enable us to (i) expand our production capacity and lower our production costs in the long run since our production costs can be better controlled due to an increase in procurement volume; (ii) substantiate our market position within the bridge cable manufacturing market; (iii) increase our bargaining power with our customers due to our stronger market position; and (iv) broaden our sales network.

Currently, we have not engaged any professional consultants to perform a feasibility study on making an acquisition. However, we may do so in the future once we have identified a potential opportunity. As of the Latest Practicable Date, we had not identified any merger or acquisition target. We were not in negotiation with any specific acquisition targets and had not identified any targets. The Company will comply in full with all applicable Listing Rules and requirements in due course when any acquisition is undertaken.

Expansion of production facility for Prestressed Materials Business

We expect that approximately HK$126.0 million (approximately 22.0% of our total estimated net proceeds) will be used for the expansion of production capacity of galvanised prestressed products for our Prestressed Materials Business at Jiujiang, Jiangxi Province. The project is expected to be completed by June 2020. The total capital expenditure is estimated to be RMB95.5 million (approximately HK$107.6 million). Please see the section headed "Business — Our Production — Expansion plan in the Prestressed Materials Business" for further details. Out of such allocated proceeds:

(i) approximately 43.1% will be used for the construction of a new production facility and warehouse at Jiujiang, Jiangxi Province, which is expected to be completed by June 2020;

(ii) approximately 33.4% will be used for the purchase of production equipment for the galvanised prestressed products production line between July 2019 to June 2020. We expect that the addition of galvanisation production line will include the purchase of one drawing machine, one galvanisation machine, two polishing machines, one galvanised prestressed wire stabilisation machine, one packaging machine, one set of testing equipment and other storage equipment; and

(iii) approximately 14.5% will be used for other ancillary expenses. We expect that the proceeds will be utilised between January 2020 to June 2020. These will include approximately RMB7.8 million (approximately HK$8.8 million) in labour costs in hiring 75 additional staff for the Prestressed Materials Business, comprising 38 production and engineering staff, eight maintenance staff, four management staff, nine quality control staff, 16 sales and marketing staff, and the majority of staff shall hold relevant qualifications or have the work experience in the production of prestressed materials. Other remaining expenses include training and recruitment expenses and product quality control or testing expenses. Since galvanised prestressed products require higher technology in its production than other prestressed products that we produce, specialised production staff with proper training will be needed. In addition, the new production facility will be located on a new production site, it will be necessary to hire additional production and other supporting staff for its operations. For reference, the existing production facility at Jiujiang has 53 production and engineering staff as of the Latest Practicable Date. As part of the Company's strategy to capture the market growth in the galvanised prestressed market, it would be important for us to expand our existing sales and marketing team and hire additional sales and marketing staff in order to enhance our sales and marketing efforts and to strengthen our customer relationship with existing customers and to seek new customers, as we see an increasing use of bridge cables for other architectural structures. Please refer to the section headed "Business — Our Production — Expansion plan in the Prestressed Materials Business — Company's strategy to capture market growth in the galvanised prestressed market"; and

(iv) approximately 9.0% will be used for acquisition of land of approximately 80,000 sq.m. which is expected to be by end of December 2019 for the construction of the new production facility at Jiujiang, Jiangxi Province.

Expansion of research and development centre for Cable Business

We plan to expand our research and development for our Cable Business in order to strengthen our technological capabilities and to increase our sales. As cables are used for the construction of bridges, our customers require stringent product quality standards in relation to safety, reliability and durability. Each of our bridge cable projects requires specific technology or know-how to suit the particular project whereby we need to ensure that our products can meet the particular technological standard required by our customers. Moreover, our products may be subject to local testing and certification requirements. Accordingly, we expect to expend additional research and development expenses to improve our know-how, technical capabilities on product quality and ability to continue to tender for large projects and develop our products as we continue to grow our Cable Business both domestically and internationally.

We expect that approximately HK$79.2 million (approximately 13.9% of our total estimated net proceeds) will be used for the expansion of the research and development centre for our Cable Business. The total capital expenditure is estimated to be RMB47.1 million (approximately HK$53.1 million). The project is expected to be completed by June 2020. Out of such allocated proceeds:

(i) approximately 37.7% will be used for the purchase of testing equipment to be used for research and development. These include a total of approximately RMB26.5 million (approximately HK$29.9 million) for the purchase of two wires stress testing machines, three wires fatigue testing machines, six testing machines for simulation of adverse weather conditions. The research and development equipment to be purchased are mainly equipment which are not currently owned by the Group. With the increasing technical requirements for tendering process and wider application of cables for different types of structures, there is a need to purchase additional testing equipment allowing us to conduct testing internally and more economically;

(ii) approximately 29.7% will be used for research and development related expenses. This includes approximately RMB20.9 million (approximately HK$23.5 million) for the hiring of 33 additional management and technical staff between January 2020 to June 2020. The senior technical staff shall have at least post-secondary qualifications and the junior technical staff should have relevant work experience in prestressed materials industry, and the remaining proceeds will be used for training and recruitment of technical staff expenses, and for patent applications. The 33 additional staff for the research and development staff will comprise 24 technical staff and 9 management staff. The need to hire 33 additional staff is due to (i) increasing technical standards and technical requirements for the cables for our Group's customers as part of the tendering process, such as to show that the cables that can withstand extreme temperatures; (ii) increasingly wider application of cables to different types of structures such as anchoring cables for offshore platforms and submerged structures; (iii) the purchase of 11 testing machines as discussed above would require various personnel to operate and maintain; and (iv) the new and larger research development centre requiring more staff to manage generally. During the Track Record Period, our Cable Business had only 13 full-time staff in the research and development team. Due to lack of manpower, many of the research projects were handled by teams comprise of members from the production and engineering department, quality control department, together with the research and development department; and certain research and development administrative functions of the research and development centre were handled by existing administrative staff. The Directors expect that by hiring the additional 33 research and development staff, the designated research and development staff could focus on research and development functions while the other staff could focus on their respective original roles;

(iii) approximately 29.3% will be used for the construction of an additional building for the research and development centre at Xitang, Zhejiang Province. We expect approximately RMB20.6 million (approximately HK$23.2 million) will be used for the costs for constructing a three-storey building of approximately 4,200 sq. m. which include a cable testing laboratory, a research outcome exhibition hall, materials testing laboratory and office. We expect that the construction to be completed by June 2020; and

(iv) the remaining will be used for other ancillary purposes such as conducting feasibility studies for research and development projects.

General working capital

We expect approximately HK$57.4 million (approximately 10.0% of our total estimated net proceeds) will be used for working capital and general corporate purposes. We plan to use part of the net proceeds reserved for working capital purposes to settle the outstanding amounts of approximately RMB22.7 million as at 31 March 2019 due to Dr. Tang upon Listing.

Purchase of additional production equipment and environmental protection facilities

We expect approximately HK$26.9 million (approximately 4.7% of our total estimated net proceeds) will be used for the purchase of production equipment and construction of environmental protection facilities including waste treatment facilities for our Prestressed Materials Business at Jiujiang, Jiangxi Province in order to cope with our expansion in production scale and to continue to comply with the relevant laws and regulations in relation to environmental protection. Please refer to the section headed "Business — Environmental Protection" on our environmental protection matters in relation to our operations. Out of such proceeds:

(i) approximately 57.7%, approximately a total of RMB13.8 million (approximately HK$15.5 million) will be used for the construction of surface treatment and waste treatment plant, which will be completed by June 2020;

(ii) approximately 27.3%, approximately a total of RMB6.5 million (approximately HK$7.3 million) will be used for the purchase of production equipment for surface treatment of raw materials, waste treatment equipment and their respective ancillary equipment, out of which, RMB5.0 million (approximately HK$5.6 million) will be used for the purchase of production equipment which includes acid bath facilities, surface treatment equipment for wires and the remaining RMB1.5 million (approximately a total of HK$1.7 million) will be used for waste treatment equipment which includes waste water treatment equipment; and

(iii) approximately 15.0% will be used for other ancillary expenses such as salaries and training expenses for additional 10 staff for production and 3 staff for waste treatment; and training and recruitment expenses. The additional staff are expected to have relevant work experience in waste treatment in heavy industries. We expect this will be utilised between January 2020 and June 2020.

The project is expected to be completed by June 2020.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders estimate that they will receive, in aggregate, net proceeds from the Global Offering of approximately HK$118.7 million, assuming an Offer Price of HK$3.06 per Share (being the mid-point of the indicative Offer Price range).

If the Offer Price, is set at the high end or low end of the indicative Offer Price range, the estimated net proceeds from the Global Offering to be received by us, assuming that the Over-allotment Option is not exercised, will increase to approximately HK$670.1 million or decrease to approximately HK$472.1 million, respectively. In such event, we will adjust the extended use of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the estimated net proceeds from the Global Offering to be received by us will increase to approximately HK$663.9 million, assuming an Offer Price of HK$3.06 per Share, being the mid-point of the indicative Offer Price range. In such event, we will adjust the extended use of the net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest bearing bank accounts with licenced banks or financial institutions.

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited

SPDB International Capital Limited

CMBC Securities Company Limited

BOSC International Company Limited

Sinomax Securities Limited

I Win Securities Limited

Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Global Coordinator, for itself and on behalf of the Underwriters, and our Company, for ourselves and on behalf of the Selling Shareholders, agreeing to the final Offer Price), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Sole Global Coordinator, in its sole and absolute discretion (for itself and on behalf of the Hong Kong Underwriters) by notice orally or in writing to our Company prior to 8:00 a.m. on the Listing Date if:

(a) there develops, occurs, exists or comes into effect:

(i) any new law or regulation or any change or development involving a prospective change in any existing law or regulation or in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) or any jurisdiction relevant to any member of our Group (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development in, or any event or circumstance or series of events or circumstances resulting or likely to result in or representing a change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions or exchange control or any monetary or trading settlement system (including, but not limited to, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates) in or affecting any of the Relevant Jurisdictions, including any event which involves one or more members of the European Union announcing, voluntarily or compulsorily, its or their intention to leave the Economic and Monetary Union of the European Union; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in, securities generally on the Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or

(iv) any general moratorium on commercial banking activities in any Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) (A) any change or development or event involving any prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to the U.S. dollar, or a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies), or (B) the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(vi) any imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions which have not been announced as at the date of the Hong Kong Underwriting Agreement; or

(vii) the outbreak or escalation of hostilities (whether or not war is or has been declared) involving or affecting any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or

(viii) any event or circumstance, or series of events or circumstances (either national or international), in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, act of war, outbreak or escalation of hostilities (whether or not war is declared), economic sanction, calamity, crisis, riot, civil commotion, public disorder, fire, flood, explosion, epidemic (including, without limitation, Severe Acute Respiratory Syndrome (**SARS**), swine or avian flu, Influenza A (**H5N1**), H1N1, swine or avian influenza (**H7N9**) or such related/mutated forms), pandemic, outbreak of infectious disease, earthquake, act of terrorism (whether or not responsibility has been claimed), strike, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, ice-storm, acts of terrorism, labour dispute, lock-out or severe or extended interruption in transportation; or

(ix) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus and Application Forms (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior written consent of the Sole Sponsor and the Sole Global Coordinator; or

(x) any materialization or development likely to result in a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xi) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xiii) any contravention by any member of our Group or any Director of the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the rules and regulations of NASDAQ or other applicable laws; or

(xiv) a prohibition on our Company or any of the Selling Shareholder for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xvi) any litigation, dispute, legal action, claim or legal proceeding of any third party being threatened or instigated against any member of our Group (including any of which would materially affect the operation, financial condition, reputation or composition of the board of any member of our Group); or

(xvii) any authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group; or

(xviii) the chairman or chief executive officer of our Company or any Director vacating his or her office; or

(xix) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company,

and which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Company or any member of our Group which is an operating Company; or

(B) has or will or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will or may make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering or the International Offering to proceed as envisaged or to market the Global Offering or deliver the Offer Shares on the terms and in the manner as contemplated by this prospectus; or

(D) has or will or may have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable, inadvisable or impracticable of performance in accordance with its terms or (ii) preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in this prospectus, the Application Forms, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "**Hong Kong Offering Documents**") (but excluding information relating to the Underwriters) was, when it was issued, incomplete, or has become, untrue, incorrect or inaccurate in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Hong Kong Offering Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) any contravention by any of member of the Group or any Director of the Companies Law, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law of the PRC, the Listing Rules or the listing rules or regulations of NASDAQ; or

(iii) non-compliance of this prospectus (or any other document used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulations; or

(iv) that there is a breach of, or any matter, event or circumstance rendering, any of the representations, warranties, agreements and undertakings given by the Company or the Controlling Shareholders or the Selling Shareholders or Mr. Lu or Mr. Wang in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, untrue, incorrect, incomplete or misleading in any respect; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the Company or the Controlling Shareholders or the Selling Shareholders or Mr. Lu or Mr. Wang or any of them pursuant to the indemnity provisions of the Hong Kong Underwriting Agreement; or

(vi) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of the this prospectus or the Application Forms or constitute a material omission therefrom; or

(vii) that there is a breach of any provisions of, or any obligations imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than obligations imposed upon any of the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or

(viii) that there is any material adverse change, or any development likely to result in a material adverse change or development, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Company or any member of our Group (including any litigation or claim of any third party being threatened or instigated against any member of our Group which results in or is likely to result in a material adverse change); or

(ix) that a significant portion of the orders in the bookbuilding process at the time when the International Underwriting Agreement is entered into have been withdrawn, terminated, cancelled or otherwise not fulfilled; or

(x) that the investment commitments by any cornerstone investor after signing of agreements with such cornerstone investor have been withdrawn, terminated, cancelled or otherwise not fulfilled; or

(xi) any of the experts (other than the Sole Sponsor) specified in this prospectus or other person whose consent is required for the issue of this prospectus or Application Forms with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears has withdrawn its consent to being named in, or to the issue of, this prospectus or the Application Forms; or

(xii) that the approval of the Listing Committee of the listing of, and permission to deal in, the Shares (including those Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option)) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(xiii) that matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus constitute a material omission from this prospectus or the Application Forms; or

(xiv) that our Company withdraws this prospectus and/or the Application Forms (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme as described and contained in this prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted under the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and to our Company that, except pursuant to the Stock Borrowing Agreement, he/it will not and will procure that the relevant registered holder(s) will not:

(i) in the period commencing on the date by reference to which disclosure of his/its shareholding interests in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares and other securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of his/its shareholding interests in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(i) when he/it pledge or charge any Shares or securities beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares or securities so pledged or charged; and

(ii) when he/it receive indications, either verbal or written, from the pledgee or chargee of any Shares or securities that any of the pledged or charged Shares or securities will be disposed of, immediately inform our Company of such indications.

Our Company shall also inform the Stock Exchange in writing as soon as it has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken that, except for (i) the issue, offer or sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-Allotment Option), (ii) the issue of Shares pursuant to the Capitalisation Issue, or (iii) the grant of, and the issue of Shares pursuant to the exercise of, any options to be granted under the Share Option Scheme, we will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable) or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts;

(b) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company);

(c) enter into any transaction with the same economic effect as any transaction set out in paragraphs (a) or (b) above; or

(d) offer or agree or contract to effect any transaction set out in paragraphs (a), (b) or (c) above or publicly announce any intention to do so,

in each case, whether any of the transactions set out in paragraphs (a), (b) or (c) above is to be settled by issue of Shares or other securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event that, during the six-month period commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions set out in paragraphs (a), (b) or (c) above or offers or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

By our Controlling Shareholders

Each of Controlling Shareholders has undertaken that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) save as pursuant to the Stock Borrowing Agreement, during the First Six-Month Period, he/it will not and will procure that none of his/its affiliates will:

(i) offer, pledge, charge, sell, offer, contract or agree to sell, pledge, assign, mortgage, charge, hypothecate, lend, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of, make any short sale, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company), directly or indirectly held by it as of the date of the Hong Kong Underwriting Agreement; or

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company) directly or indirectly held by it as of the date of the Hong Kong Underwriting Agreement; or

(iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii) above; or

(iv) publicly disclose that he/it will or may enter into any transaction set out in paragraphs (i), (ii) or (iii) above,

whether any of the transaction set out in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other shares or securities will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, he/it will not enter into any transaction described in (a) (i), (ii) or (iii) above or offer, agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, he/it will cease, whether individually or collectively with the other Controlling Shareholders, to be a controlling shareholder (as defined in the Listing Rules) of the Company;

(c) during the Second Six-Month Period, in the event that he/it enters into any such transactions specified in paragraphs (a) (i), (ii) or (iii) above or offers, agrees or contracts to, or publicly announces an intention to enter into any such transaction, it will notify the Sole Sponsor and the Sole Global Coordinator and take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company;

(d) until the expiry of the Second Six-Month Period, Dr. Tang shall remain as the sole shareholder of Elegant Kindness and shall not transfer any shares in Elegant Kindness to any other party; and

(e) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, he/it shall:

(i) if and when he/it pledges or charges any Shares or other securities of our Company (or any interests therein) beneficially owned by him/it, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such pledge or charge together with the number of Shares or securities (or interests therein) so pledged or charged; and

(ii) if and when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities (or interests therein) of the Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing of such indications.

By the Selling Shareholders

Each of the Selling Shareholders has severally undertaken that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) save for the arrangement under the Global Offering (including the sale of the Sale Shares under the International Offering and the Over-allotment Option), during the First Six-Month Period, it will not and will procure that none of his/its affiliates will:

(i) offer, pledge, charge, sell, offer, contract or agree to sell, pledge, assign, mortgage, charge, hypothecate, lend, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of, make any short sale, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company, directly or indirectly held by it as of the date of the Hong Kong Underwriting Agreement; or

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company) directly or indirectly held by it as of the date of the Hong Kong Underwriting Agreement; or

(iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii) above; or

(iv) publicly disclose that he/it will or may enter into any transaction set out in paragraphs (i), (ii) or (iii) above,

whether any of the transaction set out in (i), (ii) or (iii) above is to be settled by delivery of the Shares or securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other shares or securities will be completed within the First Six-Month Period).

During the First Six-Month Period, each of Mr. Lu and Mr. Wang, being the respective shareholder of the Selling Shareholders, has also undertaken that he shall remain as the sole shareholder of Brilliance Benefit and Xinland Investment and shall not transfer any shares in Brilliance Benefit and Xinland Investment to any other party respectively.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that the Company and the Selling Shareholders will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would severally agree to procure purchasers for, or to purchase, Offer Shares being offered pursuant to the International Offering. In the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Underwriting Commissions and Expenses

The Underwriters are expected to receive underwriting commissions of 3.0% of the Offer Price of all the Offer Shares (including any Shares to be issued and offered for sale pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions. We will bear the underwriting commissions in connection with the offer and issuance of the new Shares by us under the Global Offering (including the exercise of the Over-allotment Option) and other listing expenses. The Selling Shareholders will be responsible for the underwriting commissions attributable to the sale of the Sale Shares under the Global Offering (including the exercise of the Over-allotment Option), together with Stock Exchange trading fees, SFC transaction levy and any other applicable fees in respect of the Sale Shares. In addition, our Company may (on behalf of itself and the Selling Shareholders) decide to pay to the Underwriters an incentive fee of up to 1.0% of the Offer Price of all the Offer Shares.

Such underwriting commissions payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, are currently estimated to be approximately HK$24 million in aggregate (based on an Offer Price of HK$3.06 per Share, being the mid-point of the indicative Offer Price range of HK$2.56 to HK$3.55 per Share, and on the assumption that the Over-allotment Option is not exercised).

INDEMNITY

Each of our Company, the Controlling Shareholders and the Selling Shareholders (collectively the "**Indemnity Covenantors**") has agreed to indemnify the Hong Kong Underwriters against certain losses which the Hong Kong Underwriters may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Indemnity Covenantors of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 24,000,000 Hong Kong Offer Shares (subject to reallocation as mentioned below) as set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"; and

(ii) the International Offering of an aggregate of 216,000,000 International Offer Shares comprising 176,000,000 new Shares being offered by our Company for subscription and 40,000,000 Sale Shares being offered by the Selling Shareholders for sale (subject to reallocation and the Over-allotment Option as mentioned below), as set out in the section headed "Structure of the Global Offering — The International Offering".

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 30% of the issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 33.25% of the enlarged issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued upon exercise of the options under the Share Option Scheme).

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 24,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 3.0% of the issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking info account the Shares which may be issued upon exercise of the options under the Share Option Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering".

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A (12,000,000 Offer Shares) and pool B (12,000,000 Offer Shares) with any odd board lots being allocated to pool A. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any of the Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 12,000,000 Hong Kong Offer Shares (being 50% of the 24,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 72,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 96,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 120,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate in its sole discretion.

If (i) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed by less than 15 times or (ii) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed, the Sole Global Coordinator may at its discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares shall not be increased to more than 48,000,000 Shares, representing twice the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the total number of Offer Shares initially available under the Global Offering, in accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, and the final Offer Price shall be fixed at HK$2.56 per Offer Share (being the low end of the indicative Offer Price range stated in this prospectus).

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator shall have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate in its sole discretion.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the sole discretion of the Sole Global Coordinator.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$3.55 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$3,585.78 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner set out in the section headed "Structure of the Global Offering — Pricing and Allocation", is less than the maximum Offer Price of HK$3.55 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The International Offering will consist of an offering of initially 216,000,000 Shares (comprising 176,000,000 new Shares to be offered by our Company for subscription, 25,000,000 Sale Shares to be offered by Brilliance Benefit for sale and 15,000,000 Sale Shares to be offered by Xinland Investment for sale), representing 90% of the total number of Offer Shares initially available under the Global Offering. The number of Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 27% of the issued share capital of the Company immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon exercise of the options under the Share Option Scheme).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process set out in the section headed "Structure of the Global Offering — Pricing and Allocation" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation", the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, each of the Company and the Selling Shareholders is expected to grant the Over-allotment Option to the Sole Global Coordinator and the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to offer up to 30,000,000 Shares, Brilliance Benefit to sell up to 3,750,000 Sale Shares and Xinland Investment to sell up to 2,250,000 Sale Shares, in aggregate representing 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among others, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be offered pursuant thereto will represent approximately 4.34% of the enlarged issued share capital of the Company immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares which may be issued upon exercise of the options under the Share Option Scheme). The Sole Global Coordinator may also cover over-allocations in the International Offering by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, as stabilising manager, for itself and on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Short sales involve the sale by the Stabilising Manager of a greater number of Shares than the underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilising Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken: (i) will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and in what the Stabilising Manager reasonably regards as the best interest of the Company; (ii) may be discontinued at any time; and (iii) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Stabilising actions by the Stabilising Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a long position;

- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Thursday, 20 June 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it may cover such over-allocations by, among others, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold pursuant to the exercise in full of the Over-allotment Option, being 36,000,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 36,000,000 Shares from Elegant Kindness pursuant to the Stock Borrowing Agreement. If such Stock Borrowing Agreement is entered into, it will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus not subject to the restrictions of Rule 10.07(1) of the Listing Rules, and it will only be effected by the Stabilising Manager for settlement of over-allocations in the International Offering.

PRICING AND ALLOCATION

Pricing of the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, 22 May 2019, and, in any event, no later than Friday, 24 May 2019, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company (for ourselves and on behalf of the Selling Shareholders), and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.55 per Offer Share and is expected to be not less than HK$2.56 per Offer Share unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$3.55 per Offer Share plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,585.78 for one board lot of 1,000 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where it deems appropriate, based on the level of interest expressed by prospective investors and institutional investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of our Company (**www.pji-group.com**) and the website of the Stock Exchange (**www.hkexnews.hk**) notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company (for ourselves and on behalf of the Selling Shareholders), will be fixed within such revised Offer Price range. We will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Company (for ourselves and on behalf of the Selling Shareholders), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its sole discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Public Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are set out in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on, among other things:

(A) the Listing Committee granting approval for the listing of, and permission to deal in, the existing issued Shares, the Shares to be issued pursuant to (i) the Capitalisation Issue and the Global Offering (including pursuant to the Over-allotment Option); and (ii) the Share Option Scheme, on the Main Board of the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(B) the Offer Price having been duly agreed between the Company (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (for itself and on behalf of the Underwriters);

(C) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(D) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between the Company (for ourselves and on behalf of the Selling Shareholders), the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Friday, 24 May 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.pji-group.com** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the Receiving Bank or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates issued in respect of the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the existing issued Shares; the Shares to be issued pursuant to (i) the Capitalisation Issue; (ii) the Share Option Scheme; and (iii) the Global Offering (including pursuant to the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants approval for the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 28 May 2019, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 28 May 2019.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 2060.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Sole Global Coordinator and Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering;
- an associate or a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 17 May 2019 until 12:00 noon on Wednesday, 22 May 2019 from:

(i) the following address of the Hong Kong Underwriters:

Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
SPDB International Capital Limited	Suites 3207-3212, 32/F One Pacific Place 88 Queensway, Hong Kong

CMBC Securities Company Limited	45/F, One Exchange Square 8 Connaught Place Central Hong Kong
BOSC International Company Limited	34/F, Champion Tower 3 Garden Road, Central, Hong Kong
Sinomax Securities Limited	Room 2705-6, 27/F Tower One, Lippo Centre 89 Queensway, Hong Kong
I Win Securities Limited	Room 1916, Hong Kong Plaza, 188 Connaught Road West, Hong Kong
Head & Shoulders Securities Limited	Room 2511, 25/F, Cosco Tower, 183 Queen's Road Central, HK

(ii) any of the following branches of the receiving bank(s):

District	**Branch Name**	**Address**
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
	Johnston Road Branch	118 Johnston Road
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 17 May 2019 until 12:00 noon on Wednesday, 22 May 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**CMB WING LUNG (NOMINEES) LIMITED — PUJIANG INTERNATIONAL GROUP LIMITED PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 17 May 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, 18 May 2019 — 9:00 a.m. to 1:00 p.m.
Monday, 20 May 2019 — 9:00 a.m. to 5:00 p.m.
Tuesday, 21 May 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 22 May 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 22 May 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Sole Global Coordinator and the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective directors, officers, employees, agents, affiliates or advisors or any other party involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application, any acceptance of it and the resulting contract will be governed and construed in accordance with the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the section headed "How to Apply for Hong Kong Offer Shares — 2. Who Can Apply", may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 17 May 2019 until 11:30 a.m. on Wednesday, 22 May 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 22 May 2019 or such later time in the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" below.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System **(https://ip.ccass.com)** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square, 8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other party involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank(s), the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 17 May 2019	**—**	**9:00 a.m. to 8:30 p.m.**
Monday, 20 May 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Tuesday, 21 May 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Wednesday, 22 May 2019	**—**	**8:00 a.m. to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 17 May 2019 until 12:00 noon on Wednesday, 22 May 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 22 May 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 22 May 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed "Structure of the Global Offering — Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 22 May 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 22 May 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates set out in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, 27 May 2019 on our Company's website at **www.pji-group.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.pji-group.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Monday, 27 May 2019;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, 27 May 2019 to 12:00 midnight on Friday, 31 May 2019;
- by telephone inquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 27 May 2019 to Thursday, 30 May 2019 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 27 May 2019 to Wednesday, 29 May 2019 at all the receiving bank's designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details, please refer to the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Sole Sponsor and/or the Sole Global Coordinator and the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$3.55 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker 's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 27 May 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first- named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Monday, 27 May 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 28 May 2019 provided that the Global Offering has become unconditional and the right of termination set out in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 27 May 2019 or such other date as notified by us on the websites of the Stock Exchange at **www.hkexnews.hk** and of our Company at **www.pji-group.com**.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Monday, 27 May 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 27 May 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 27 May 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Monday, 27 May 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 27 May 2019, or such other date as notified by our Company on the websites of the Stock Exchange at **www.hkexnews.hk** and of our Company at **www.pji-group.com** as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Monday, 27 May 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 27 May 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, 27 May 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 27 May 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 27 May 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 27 May 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

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

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

Introduction

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

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

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

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

Adjustments

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

Dividends

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

No financial statements for the Company

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

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

17 May 2019

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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

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

2. Consolidated Statements of Financial Position

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

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

* Represents amount less than RMB1,000.

3. Statements of Financial Position of the Company

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

* Represents amount less than RMB1,000.

4. Consolidated Statements of Changes in Equity

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

* Represent amount less than RMB1,000.

5. Consolidated Statements of Cash Flows

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

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

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

(b) Reorganisation

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

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

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

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

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

Step 1b:Incorporation of the Company

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

(c) Basis of presentation

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Application of new and revised HKFRSs

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

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

Application of HKFRS 9 and HKFRS 15

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

New and revised HKFRSs issued but not yet effective

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

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

Notes:

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

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

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

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

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

HKFRS 16 – Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

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

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

(b) Subsidiaries

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

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

(c) Property, plant and equipment

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

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

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

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

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

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

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

(d) Prepaid land lease payments

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

(e) Intangible assets

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

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

Technology know-how	5 years

(f) Inventories

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

(g) Financial instruments

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

(i) Financial assets

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

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

Classification of financial assets

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Amortised cost and effective interest method

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

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

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

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

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

Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

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

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

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

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

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

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

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

Derecognition of financial assets

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

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

(ii) *Financial liabilities and equity instruments*

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

(h) Financial guarantee contracts

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

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

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

(i) Leasing

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

The Group as lessee

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

(j) Foreign currency

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

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

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

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

(k) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution retirement plan

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

(iii) Termination benefits

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

(l) Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) Other revenue

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

(n) Government grants

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

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

(o) Income taxes

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

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

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

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

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

(p) Provisions and contingent liabilities

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

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

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

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

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

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

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

(r) Cash and cash equivalents

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

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

(s) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Timing of satisfaction of performance obligations

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

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

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

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

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

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

(c) Net realisable value of inventories

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

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

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

(e) Income tax and deferred tax

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

6. SEGMENT INFORMATION

Operating segments

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

- **Cables**

  provision of manufacture, installation and sale of cables

- **Prestressed steel materials**

  provision of manufacture and sale of customised prestressed steel materials

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

(a) Segment revenue and results

For the year ended 31 December 2016

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

For the year ended 31 December 2017

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

For the year ended 31 December 2018

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

(b) Segment assets and liabilities

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

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

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

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

For the year ended 31 December 2016

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

For the year ended 31 December 2017

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

For the year ended 31 December 2018

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

(d) Geographical information and major customers

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

(e) Information about major customers

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

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

Notes:

[1] Revenue from sales of prestressed steel materials.

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

7. REVENUE

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

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

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

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

Assets recognised from incremental costs to obtain a contract

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

Details of contract liabilities

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

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

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

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

Disaggregation of revenue

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

Timing of revenue recognition

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

At a point in time

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

Over time

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

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

Unsatisfied performance obligations

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

8. OTHER REVENUE

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

Note:

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

9. OTHER GAINS AND LOSSES

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

10. FINANCE COSTS

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

11. PROFIT BEFORE INCOME TAX EXPENSE

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

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

Note:

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

12. EMPLOYEE COSTS

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

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

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

Notes:

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

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

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

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

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

(ii) Five highest paid individuals

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

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

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

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

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

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

(iii) Senior management emolument band

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

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

14. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

15. DIVIDENDS

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

16. EARNINGS PER SHARE

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

17. PROPERTY, PLANT AND EQUIPMENT

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

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

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

18. PREPAID LAND LEASE PAYMENTS

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

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

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

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

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

19. INTANGIBLE ASSETS

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

20. DEFERRED TAX ASSETS

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

Notes:

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

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

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

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

21. INVENTORIES

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

22. TRADE, RETENTION AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

Movements in the allowance for doubtful debts are as follows:

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

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

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

Transferred financial assets that are derecognised in their entirety

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

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

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

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

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

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

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

Trade and retention receivables

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

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

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

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

Other receivables

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

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

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

Deposits

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

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

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

25. RESTRICTED BANK DEPOSITS/ CASH AND CASH EQUIVALENTS

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

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

Notes:

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

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

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

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

26. TRADE AND BILLS PAYABLES

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

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

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

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

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

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

27. OTHER PAYABLES AND ACCRUALS

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

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

28. BANK BORROWINGS

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

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

The bank loans are secured by:

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

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

29. AMOUNTS DUE TO A SHAREHOLDER/RELATED PARTIES

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

30. SHARE CAPITAL

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

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

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

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

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

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

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

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

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

* Represents amount less than RMB1,000.

31. RESERVES

(a) The Group

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

(b) The Company

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

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

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

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

32. NON-CONTROLLING INTERESTS

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

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

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

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

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

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

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

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

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

33. INTEREST IN A SUBSIDIARY

The Company

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

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

34. FINANCIAL GUARANTEE CONTRACTS

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

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

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

35. RELATED PARTY TRANSACTIONS

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

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

36. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

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

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

(b) Liquidity risk

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

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

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

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

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

(c) Interest rate risk

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

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

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

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

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

(d) Foreign currency risk

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

(e) Capital risk management

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

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

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

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

(f) Fair value

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

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

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

Financial instruments not measured at fair value

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

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

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

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

38. OPERATING LEASE COMMITMENTS

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

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

39. CONTINGENT LIABILITIES

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

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

40. NOTES SUPPORTING COMBINED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

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

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

41. SUBSEQUENT EVENTS

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

Reorganisation

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

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

42. SUBSEQUENT FINANCIAL STATEMENTS

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

The information set forth in this appendix does not form part of the Accountant's Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purpose only, and is set out herein to provide the prospective investors with further illustrative financial information about how the Global Offering might have affected the consolidated net tangible assets of the Group after the completion of the Global Offering as if the Global Offering had taken place on 31 December 2018. Because of its hypothetical nature, this unaudited pro forma financial information may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed on 31 December 2018 or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018	Estimated net proceeds from the Global Offering	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Notes 3, 4 & 5)*	
Based on Offer Price of HK$2.56 per Share	1,216,038	418,795	1,634,833	2.04	2.30
Based on Offer Price of HK$3.55 per Share	1,216,038	594,421	1,810,459	2.26	2.55

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2018 are based on the consolidated net assets attributable to owners of the Group in the amount of RMB1,245.3 million, as extracted from the consolidated financial statements in the Accountants' Report included in Appendix I to this prospectus, less prepaid land lease payments in the amount of RMB29.2 million.

2. The estimated net proceeds from the Global Offering are based on 200,000,000 new shares to be issued and the indicative Offer Prices of HK$2.56 and HK$3.55 per Offer Share, respectively, after deduction of underwriting commissions and fees and other related expenses payable by the Group and without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

3. No adjustment has been made to the consolidated net tangible assets attributable to owners of the Group as at 31 December 2018 to reflect any of the Group's trading results or other transactions entered into subsequent to 31 December 2018.

4. The pro forma adjusted net tangible assets per Share is arrived at after the adjustment referred to in note (2) above and on the basis that 800,000,000 Shares were in issue assuming that the Global Offering had been completed and the Over-allotment Option was not exercised.

5. The pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$0.887 to RMB1.0. No representation is made that the HK$ RMB amounts have been, could have been or may be converted to RMB and HK$ or vice versa, at that rate or at all.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountant of the Group, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Pujiang International Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pujiang International Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets of the Group as at 31 December 2018 and related notes as set out in Section A of Appendix II on pages II-1 to II-2 of the Company's prospectus dated 17 May 2019 (the "**Prospectus**") in connection with the proposed global offering of the Company (the "**Global Offering**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Global Offering on the Group's consolidated financial position as at 31 December 2018 as if the Global Offering had taken place at 31 December 2019. As part of this process, information about the Group's consolidated financial position as at 31 December 2018 has been extracted by the directors of the Company from the Group's historical financial information for the year ended 31 December 2018, on which an accountant's report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a document is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

17 May 2019

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 24 April 2019 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address set out in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix V to this prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on 24 April 2019 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavour to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

3 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

4 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2017 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

5 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

6 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (please refer to paragraph 3 above for details).

7 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

8 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

9 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

10 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

11 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

12 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

13 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

14 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

15 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

16 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

17 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

18 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

19 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

20 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

21 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking is for a period of twenty years from 17 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

22 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

23 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as set out in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 April 2017. Our Company has established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and was registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on 20 December 2018, with Ms. Choy Yee Man (蔡綺文), our Company Secretary, and Ms. Wong Yik Han (黃譯嫺) appointed as our authorised representatives, for the acceptance of service of process and notices in Hong Kong.

As we are incorporated in the Cayman Islands, we operate subject to the Companies Law and to our constitution, which comprises the Memorandum of Association and Articles of Association. A summary of various provisions of our constitution and relevant aspects of the Companies Law is set out in "Summary of the Constitution of our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

2. Change in share capital of our Company

As at the date of incorporation, our authorised share capital was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon its incorporation, one Share was allotted and issued in cash at par, to its initial subscriber. On the same day, the said one Share was transferred to Elegant Kindness. The following set out the changes in the share capital of our Company since the date of its incorporation:

(a) On 28 June 2018, our Company allotted and issued 79,695 shares to Elegant Kindness at par.

(b) On 4 July 2018, our Company allotted and issued 5,804 shares to Xinland Investment at par.

(c) On 3 September 2018, our Company allotted and issued 4,643, 11,608 and 1,161 shares to Xinland Investment, Brilliance Benefit Holding Limited and Five Standers Holding Limited respectively at par.

(d) On 21 September 2018, our Company allotted and issued 9,122 shares to Elegant Kindness at par.

(e) On 28 September 2018, our Company allotted and issued 2,322 shares to Brilliance Benefit Holding Limited at par.

(f) On 2 October 2018, our Company allotted and issued 54,404 shares to Elegant Kindness at par.

(g) On 24 April 2019, the shareholders of the Company conditionally approved the authorised share capital of the Company to be increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares by creation an additional 9,962,000,000 Shares with effect immediately prior to the Completion of the Capitalisation Issue and Global Offering.

(h) Immediately prior to the completion of the Global Offering and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), the authorised share capital will be HK$100,000,000 divided into 10,000,000,000 Shares, and following the Completion of the Capitalisation Issue and the Global Offering, the issued share capital will be HK$8,000,000 divided into 800,000,000 Shares, which will be issued fully paid or credited as fully paid and 9,200,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to issue Shares set out in the section headed "Statutory and General Information — A. Further Information about our Group — 4. Resolution in writing passed by our Shareholders passed on 24 April 2019" in this Appendix and pursuant to the exercise of the options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any authorised but unissued share capital of the Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed in the prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Change in share capital of our subsidiaries

Our subsidiaries are listed in "History, Reorganisation and Group Structure" in this prospectus. The following alterations in the share capital of our subsidiaries have taken place within two years preceding the date of this prospectus. For further details on the change in share capital of our major operating subsidiaries, please refer to the section headed "History, Reorganisation and Group Structure — Our Major Operating Subsidiaries" in this prospectus.

Top Innovation

On 28 May 2018, Top Innovation was incorporated and 1 share of US$1.00 par value each was allotted and issued to our Company.

Shanghai Xiong Ao

On 5 June 2018, Shanghai Xiong Ao was established in the PRC with registered capital of RMB1,000,000. On 20 July 2018, the registered capital of Shanghai Xiong Ao was increased to RMB1,006,985 and on 30 August 2018, the registered capital was further increased to RMB1,010,101.

Acme Innovation

On 28 May 2018, Acme Innovation was incorporated and 1 share of US$1.00 par value each was allotted and issued to our Company.

Save as disclosed above and in the section headed "History, Reorganisation and Group Structure" in this prospectus, there has been no alternation in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions in writing passed by our Shareholders passed on 24 April 2019

On 24 April 2019, our then Shareholders, passed resolutions in writing, pursuant to which, amongst other matters:

(a) our Company conditionally approved an increase of its authorised share capital from HK$380,000 to HK$100,000,000 by creation of an additional 9,962,000,000 Shares with effect immediately prior to the Capitalisation Issue and the Global Offering, each ranking pari passu in all respects with our existing issued Shares;

(b) our Company approved and adopted the Memorandum and Articles with effect from the Listing Date;

(c) conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Global Coordinator acting for itself and on behalf of the Underwriters) and not being terminated in accordance with terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering to rank pari passu on and subject to the terms and conditions stated in this prospectus;

(ii) conditional upon the share premium account of the Company being credited as a result of Global Offering, the Directors are authorised to capitalise the sum of HK$5,998,312.40 and apply the same in paying up in full at par 599,831,240 Shares for allotment and issue to the Shareholders whose names appeared on the register of members of our Company in proportion (as nearly as possible without involving fractions) to their then existing shareholders in our Company and such Shares to be allotted and issued shall rank pari passu in all respects with all other existing issued shares;

(iii) the Over-allotment option was approved and the Directors were authorised to effect the same and to allot and issue Shares upon the exercise of the Over-allotment Option; and

(iv) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed "Statutory and General Information — D. Share Option Scheme" in this Appendix, were approved and adopted and our Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, expedient or desirable to implement Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same;

(d) a general unconditional mandate (the "**Issuing Mandate**") was given to the Directors to exercise all powers for and on our behalf to allot, issue and deal with (otherwise than by way of rights issue or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting or pursuant to the Global Offering, unissued Shares and securities carrying rights to subscribe for, exchange or convert into Shares (whether the exercise of such rights may take place during or after the period while such mandate remains in effect) with a total number of Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Share Option Scheme), such mandate to remain in effect from the date of Listing until whichever is the earliest of:

(v) the conclusion of the next annual general meeting of our Company;

(vi) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(vii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(e) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising them to exercise all powers for and on our behalf to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares not exceeding 10% of the aggregate of the total number of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(f) the Issuing Mandate was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Share Option Scheme).

5. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group's structure in preparation for the Listing. For information with regard to our Reorganisation, please refer to the section headed "History, Reorganisation and Group Structure" in this prospectus for details.

6. Repurchase of Shares by our Company

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Regulations of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transaction.

Pursuant to the written resolutions of our then Shareholders passed on 24 April 2019, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to the Directors authorising any repurchase by us of our Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange of such number of Shares with a total number as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options under the Share Option Scheme).

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands. Any repurchase may be made out of funds legally permitted to be utilised in this connection, including profits of our Company, share premium account for our Company or out of proceeds of a fresh issue of Shares made for that purpose and in the case of any premium payable on a repurchase over the par value of the Shares to be repurchased, it must be paid out of either or both of the profits of our Company or our Company's share premium account. Subject to satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of capital.

(iii) Trading restrictions

Pursuant to the Listing Rules, our Company:

(1) shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on the Stock Exchange;

(2) shall not purchase its Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time;

(3) shall not knowingly purchase its Shares from a core connected person and a core connected person shall not knowingly sell Shares to our Company, on the Stock Exchange;

(4) shall procure that any broker appointed by our Company to effect the purchase of its Shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of our Company as the Stock Exchange may request;

(5) shall not purchase its Shares on the Stock Exchange at any time after an inside information has come its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of:

(A) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(B) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, our Company may not purchase its Shares on the Stock Exchange, unless the circumstances are exceptional;

(6) may not purchase its Shares on the Stock Exchange if that purchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or the relevant prescribed minimum percentage for the Company as determined by the Listing Rules from time to time).

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, the above are exceptional circumstances.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically cancelled upon repurchase and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

(v) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be submitted for publication on the website of the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including the number of Shares repurchased each month, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital and/or gearing position of our Company which, in the opinion of the Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

The Stock Exchange may waive all or part of the above restrictions if, in its opinion, the above are exceptional circumstances.

(d) General

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option) would result in up to 8,000,000 Shares being repurchased by our Company during the period prior to the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and Articles and applicable laws and regulations of the Cayman Islands to be held; or

(iii) the revocation, variation or renewal of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting.

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), have any present intention if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

No core connected person of our Company has notified us that he or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No repurchase of Shares has been made by us since our incorporation.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of the Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any other consequences which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the Repurchase Mandate immediately after the Listing.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus that are or may be material and a copy of each has been delivered to the Registrar for registration:

(a) an equity transfer agreement dated 29 June 2018, entered into between Shanghai Xiong Ao and Ossen Group PRC, pursuant to which, Ossen Group PRC agreed to transfer 69.5% equity interest in Shanghai Pujiang to Shanghai Xiong Ao for a consideration of RMB62,550,000;

(b) an equity transfer agreement dated 29 June 2018, entered into between Shanghai Xiong Ao and Mr. Wang, pursuant to which, Mr. Wang agreed to transfer 5% equity interest in Shanghai Pujiang to Shanghai Xiong Ao for a consideration of RMB4,500,000;

(c) the Share Exchange Agreement dated 19 July 2017 entered into between Ossen Innovation, Wei Hua, Fascinating Acme, AADRF, the shareholders of AADRF (as named in Annex I to the agreement) (the "**AADRF Shareholders**") and Howard Gang Hao (referred to as the "Exchange Agreement" in the section headed "History, Reorganisation and Group Structure — Listing on other Stock Exchanges" in this prospectus) (the "**Share Exchange Agreement**"), pursuant to which Ossen Innovation agreed to purchase all of the issued and outstanding shares and other equity interests in or of AADRF in exchange for the issue of newly issued Purchaser Shares (as defined in the Share Exchange Agreement), being shares of Ossen Innovation to the AADRF Shareholders;

(d) the Share Purchase Agreement dated 19 July 2017 entered into between Elegant Kindness, Dr. Tang, Ossen Innovation Materials Group and Ossen Innovation (referred to as the "Spin-Off Agreement" in the section headed "History, Reorganisation and Group Structure — Listing on other Stock Exchanges" in this prospectus), pursuant to which Elegant Kindness agreed to acquire the Purchased Shares (as defined in the Share Purchase Agreement), being all of the issued and outstanding shares of Ossen Innovation Materials Group in exchange for the repurchase of the Exchange Shares (as defined in the Share Purchase Agreement), being the issued and outstanding ordinary shares of Ossen Innovation held by Dr. Tang;

(e) the First Amendment to Share Exchange Agreement dated 1 August 2017 entered into between Ossen Innovation, Wei Hua, Howard Gang Hao and AADRF (the "**First Amendment**"), pursuant to which Ossen Innovation, Wei Hua, Howard Gang Hao and AADRF agreed to amend the Share Exchange Agreement on the terms and conditions set forth in the First Amendment;

(f) the Second Amendment to Share Exchange Agreement dated 13 November 2017 entered into between Ossen Innovation, Wei Hua, Howard Gang Hao, AADRF and Ken Yiming Hao (the "**Second Amendment**"), pursuant to which Ossen Innovation, Wei Hua, Howard Gang Hao and AADRF agreed to amend the Share Exchange Agreement on the terms and conditions set forth in the Second Amendment;

(g) an equity transfer agreement dated 3 September 2018, entered into between Shanghai Xiong Ao and Mr. Lu, pursuant to which, Mr. Lu agreed to transfer 10% equity interest in Shanghai Pujiang to Shanghai Xiong Ao for a consideration of RMB9,000,000;

(h) an equity transfer agreement dated 3 September 2018, entered into between Shanghai Xiong Ao and Mr. Wang, pursuant to which, Mr. Wang agreed to transfer 4% equity interest in Shanghai Pujiang to Shanghai Xiong Ao for a consideration of RMB3,600,000;

(i) an equity transfer agreement dated 3 September 2018, entered into among Ossen Group HK, Shanghai Xiong Ao and Mr. Man, pursuant to which, Mr. Man agreed to transfer 1% equity interest in Shanghai Pujiang to Ossen Group HK for a consideration of RMB900,000;

(j) an equity transfer agreement dated 17 September 2018, entered into between Shanghai Xiong Ao and Kunshan Zhongke, pursuant to which, Kunshan Zhongke agreed to transfer 8% equity interest in Shanghai Pujiang to Shanghai Xiong Ao for a consideration of RMB42,000,000;

(k) an equity transfer agreement dated 28 September 2018, entered into between Shanghai Xiong Ao and Mr. Lu, pursuant to which, Mr. Lu agreed to transfer 2% equity interest in Shanghai Pujiang to Shanghai Xiong Ao for a consideration of RMB1,800,000;

(l) the Agreement for the Sales and Purchase dated 2 October 2018 entered into between Effectual Strength, Dr. Tang, Acme Innovation, our Company and Elegant Kindness, pursuant to which Effectual Strength agreed to sell and Acme Innovation agreed to purchase the Sale Shares (as defined in the Agreement for the Sales and Purchase), being 65.9% of the issued share capital of Ossen Innovation in consideration of the allotment of 54,404 shares of our Company to Elegant Kindness;

(m) a cornerstone investment agreement dated 6 May 2019 and entered into among our Company, Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司), Sole Global Coordinator and Sole Sponsor, pursuant to which Pacific Asset Management Co., Ltd. (太平洋資產管理有限責任公司) agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with HK$100.00 million;

(n) a cornerstone investment agreement dated 6 May 2019 and entered into among our Company, SAIC Motor HK Investment Limited (上海汽車香港投資有限公司), Sole Global Coordinator and Sole Sponsor, pursuant to which SAIC Motor HK Investment Limited (上海汽車香港投資有限公司) agreed to subscribe at the Offer Price for such number of Offer Shares (rounded to the nearest whole board lot of 1,000 Shares) that may be purchased with US$6.00 million (inclusive of brokerage, SFC transaction levies and Stock Exchange trading fee);

(o) a cornerstone investment agreement dated 7 May 2019 and entered into among our Company, Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司), Sole Global Coordinator and Sole Sponsor, pursuant to which Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司) agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with RMB 19.00 million;

(p) a cornerstone investment agreement dated 7 May 2019 and entered into among our Company, SIIC Trading Company Limited (上海實業貿易有限公司), Sole Global Coordinator and Sole Sponsor, pursuant to which SIIC Trading Company Limited (上海實業貿易有限公司) agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with HK$38.80 million;

(q) a cornerstone investment agreement dated 8 May 2019 and entered into among our Company, Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司), Sole Global Coordinator and Sole Sponsor, pursuant to which Shanghai Construction Group Investment Co., Ltd.* (上海建工集團投資有限公司) agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with RMB28.00 million (inclusive of brokerage, SFC transaction levies and Stock Exchange trading fee);

(r) the Deed of Non-Competition;

(s) the Deed of Indemnity; and

(t) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

As at the Latest Practical Date, we had registered or had applied for the registration of the following intellectual property rights, which are material to our business:

(a) *Trademarks*

As at the Latest Practicable Date, our Group was the registered owner the following trademarks which, in the opinion of our Directors are material to our business:

No.	Trademark	Registration number	Place of application	Trademark owner	Class	Registration date	Expiration date
1.	浦 江	1573888	PRC	Shanghai Pujiang	6	21 May 2011	20 May 2021
2.	OSSEN	4396895	PRC	Ossen Innovation Materials	6	7 August 2007	6 August 2027
3.	奧盛	4396896	PRC	Ossen Innovation Materials	6	7 October 2007	6 October 2027
4.		4396898	PRC	Ossen Innovation Materials	6	28 November 2007	27 November 2027

(b) *Patents*

As at the Latest Practicable Date, our Group was the registered owner of the following patents which, in the opinion of our Directors are material to our business:

	Patent title	Place of registration	Registrant	Patent type	Registration number	Duration of validity
1.	Processing process of stabilising scoring wire* (一種刻痕鋼絲穩定化處理工藝)	PRC	Ossen (Jiujiang)	Invention	ZL200710157149.0	23 November 2007 to 22 November 2027
2.	Mechanism to preform traction of the main cable linear unit bundle of simulated suspension bridge* (仿懸索橋主纜綫性單元束股的預成型牽引機構)	PRC	Shanghai Pujiang; Zhejiang Pujiang	Invention	ZL200810039340.X	20 June 2008 to 19 June 2028
3.	Method to preform simulation of main cable bundle of suspension bridge* (仿懸索橋主纜束股的預成型方法)	PRC	Shanghai Pujiang; Zhejiang Pujiang	Invention	ZL200810039780.5	27 June 2008 to 26 June 2028
4.	Method to change the process waste of stranded wire connector* (改變鋼絞綫接頭工藝廢品長度的方法)	PRC	Ossen Innovation Materials	Invention	ZL200910144241.2	27 July 2009 to 26 July 2029
5.	Intelligent cable loosening method* (智能化水平放索方法)	PRC	Shanghai Pujiang	Invention	ZL200910196706.9	29 September 2009 to 28 September 2029

	Patent title	Place of registration	Registrant	Patent type	Registration number	Duration of validity
6.	Mechanism to preform simulation of main cable linear unit bundle of suspension bridge* (仿懸索橋主纜綫性單元束股的預成型機構)	PRC	Shanghai Pujiang; Zhejiang Pujiang	Invention	ZL200810039340	20 June 2008 to 19 June 2028
7.	Processing process of composite anti-corrosion cable* (複合防腐型拉索制作工藝)	PRC	Shanghai Pujiang; Zhejiang Pujiang	Invention	ZL200810039345.2	20 June 2008 to 19 June 2028
8.	Prefabricated parallel steel wire strand* (預製平行鋼絲索股)	PRC	Shanghai Pujiang	Utility model patent	ZL200920214399.8	27 November 2009 to 26 November 2019
9.	Aluminium, galvanised steel wire of oblique cable* (鍍鋅鋁鋼絲斜拉索)	PRC	Shanghai Pujiang	Utility model patent	ZL200920214398.3	27 November 2009 to 26 November 2019
10.	Preformed aluminium, galvanised steel wire of oblique cable strand* (預製平行鍍鋅鋁鋼絲索股)	PRC	Shanghai Pujiang	Utility model patent	ZL200920214400.7	27 November 2009 to 26 November 2019
11.	Production process of galvanised steel wire* (一種鍍鋅鋼絲生產工藝)	PRC	Ossen (Jiujiang)	Invention	ZL201010105179.9	3 February 2010 to 2 February 2030
12.	Prefabricated paralleled cable strand* (預製平行索股)	PRC	Shanghai Pujiang	Utility model patent	ZL201020147001.6	31 March 2010 to 30 March 2020
13.	Dehumidification and inflation device for main cable* (主纜除濕充氣裝置)	PRC	Shanghai Pujiang	Utility model patent	ZL201020693153.6	31 December 2010 to 30 December 2020
14.	Cable to be used to test cable force for cable-stayed bridge* (用於斜拉橋的可測索力拉索)	PRC	Shanghai Pujiang	Utility model patent	ZL201020693157.4	31 December 2010 to 30 December 2020
15.	Full life self-test sealed cable* (全壽命自檢測密封型拉索)	PRC	Shanghai Pujiang	Utility model patent	ZL201220241875.7	28 May 2012 to 27 May 2022
16.	Inflatable sealed cable* (充氣密封式拉索)	PRC	Shanghai Pujiang; Zhejiang Pujiang	Utility model patent	ZL201220746868.2	31 December 2012 to 30 December 2022
17.	Processing process of galvanised steel wire* (一種鍍鋅鋼絲再加工工藝)	PRC	Ossen (Jiujiang)	Invention	ZL201310137387.0	19 April 2013 to 18 April 2033
18.	Suspension bridge main cable pre-integer unit cable* (懸索橋主纜預整型單元索股)	PRC	Shanghai Pujiang; Zhejiang Pujiang	Utility model patent	ZL201420171814.7	10 April 2014 to 9 April 2024
19.	Prestressed steel aeration pickling tank and pickling method* (一種預應力鋼絞綫曝氣酸洗池及酸洗方法)	PRC	Ossen Innovation Materials	Invention	ZL 201510161287.0	7 April 2015 to 6 April 2035

	Patent title	Place of registration	Registrant	Patent type	Registration number	Duration of validity
20.	Production method of stabilisation treatment for prestressed galvanised steel wire joints* (一種預應力鍍鋅鋼絲接頭穩定化處理生產方法)	PRC	Ossen (Jiujiang)	Invention	ZL201610567857.0	19 July 2016 to 18 July 2036
21.	Utility model relating to a pulling and matching method for high strength prestressed steel wire* (一種高強度預應力鋼絲拉拔配模方法)	PRC	Ossen (Jiujiang)	Invention	ZL201610567616.6	19 July 2016 to 18 July 2036
22.	Method for horizontally winding and unwinding a parallel wire strand*	Korea	Shanghai Pujiang; Zhejiang Pujiang	N/A	10-1579660	14 June 2013 to 13 June 2033
23.	Method for horizontal winding and horizontal unwinding parallel steel stranded wire	Europe	Shanghai Pujiang; Zhejiang Pujiang	N/A	EP2653613	17 June 2013 to 16 June 2033
24.	Device and method for winding and unwinding a parallel wire strand horizontally	United States	Shanghai Pujiang; Zhejiang Pujiang	N/A	10,081,510	28 December 2015 to 27 December 2035
25.	Fire proof cable casting method*	Korea	Shanghai Pujiang; CableTec Co., Ltd.	N/A	10-1881259	22 September 2017 to 21 September 2037

(c) Domain Names

As of the Latest Practicable Date, our Group was the registered owner of the following domain names which, in the opinion of our Directors are material to our business:

	Domain name	Place of registration	Registrant	Registration Date	Expiry Date
1.	www.pji-group.com	PRC	Shanghai Pujiang	13 November 2018	13 November 2020
2.	www.spccc.com	PRC	Shanghai Pujiang	2 November 1998	1 November 2020
3.	www.osseninnovation.com	PRC	Ossen Innovation Materials	12 July 2010	12 July 2020

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interest — interests and short positions of the Directors and the chief executives of our Company in our Shares, underlying Shares and debentures of our Company and our associated corporations

Immediately following completion of the Global Offering (without taking into account any Shares which fall to be issued upon exercise of the Over-allotment Option or the Share Option Scheme), the interest and short position of our Directors or chief executives of our Company in our Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

(i) Interest in the Company

Name of Director	Capacity	Number and class of securities	Approximate shareholding percentage (%)
Dr. Tang	Interest of a controlled corporation (2)	509,203,064 (L)(1)	63.65%

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 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. Dr. Tang is the sole director of Elegant Kindness.

(ii) Interests in associated corporation(s) of our Company

Name of Director/ Chief executive	Name of associated corporation	Capacity/Nature	Approximate percentage of shareholding
Dr. Tang	Elegant Kindness	Beneficial owner	100%
	Shanghai Xiong Ao	Beneficial owner	1%
	Shanghai Pujiang	Beneficial owner	0.5%

(b) Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated in accordance with the provisions of the service contract. Particulars of the service agreements of the executive Directors are in all material respects the same.

Each of Ms. Pan Yingli (潘英麗), Mr. Chen Dewei (陳德偉) and Mr. Zhang Bihong (張弼弘) has been appointed as an independent non-executive Director pursuant to an appointment letter for a term of three years commencing from the Listing Date, which can be terminated by either the Group or the relevant independent non-executive Director any time without compensation by giving notice. The appointments are subject to the provisions of retirement by rotation of Directors and Articles.

(c) Directors' remuneration

The aggregate amount of remuneration paid and benefits in kind granted to our Directors in respect of each of three financial years ended 31 December 2016, 2017 and 2018 were approximately nil, nil and RMB52,000, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors for the year ended 31 December 2019 will be approximately RMB1,405,000.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with any member of our Group, save for contracts expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation.

2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or options under the Share Option Scheme), the following persons other than a director or chief executive of our Company will have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to our Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued Shares or shares of associated companies carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Shareholder	Nature of interest	Number of Shares	Approximate percentage of Shareholding (%)
Elegant Kindness	Beneficial owner[(2)]	509,203,069 (L)	63.65%

Notes:

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

2. These Shares are held by Elegant Kindness, which is wholly owned by Dr. Tang by virtue of the SFO, Dr. Tang is deemed to be interested in the Shares held by Elegant Kindness.

3. Directors' and Shareholders' interests in suppliers and customers of our Group

As at the Latest Practicable Date, so far as our Directors are aware, none of the persons who are (1) Directors and their close associates; or (2) Shareholders and their close associates which to the knowledge of our Directors will own more than 5% of our Company's issued share capital immediately upon completion of the Global Offering assuming the Over-allotment Option and the options under the Share Option Scheme are not exercised had interest in the five largest customers or five largest suppliers of our Group.

4. Disclaimers

Save as disclosed herein and as at the Latest Practicable Date:

(a) none of our Directors or experts referred to under the heading "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or experts referred to under the heading "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) None of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and

(d) none of the experts referred to under the heading "Consents of experts" in this Appendix is interested beneficially or otherwise any shareholding in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted pursuant to a resolution in writing passed by our Shareholders on 24 April 2019:

For the purpose of this section, references to the (a) "Board" shall mean the Board from time to time or a duly authorised committee thereof; (b) "Employee" shall mean any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of our Group and any Invested Entity; (c) "Participant" shall mean: (i) any Employee; (ii) any non-executive Director (including independent non-executive Directors) of our Group or any Invested Entity; (iii) any supplier of goods or services to any member of our Group or any Invested Entity; (iv) any customer, business or joint venture partner, franchisee, contractor, agent or representative of our Group or any Invested Entity; (v) any consultant, adviser, manager, officer or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to our Group or any Invested Entity; and (vi) any direct or indirect Shareholder of our Group or any Invested Entity; and (d) "Invested Entity" shall mean any entity in which our Group holds any equity interest (irrespective of the percentage of such equity interest).

(a) Purpose of the scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to the Participants for their contribution to the growth of our Group and any Invested Entity and/or 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.

(b) Who may join

The Board shall be entitled but shall not be bound at any time and from time to time within the period of ten years from the date on which the Share Option Scheme becomes effective to make offers to any Participant, as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, to take up options to subscribe for Shares, being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof, as the Board may determine at a price calculated in accordance with sub-paragraph (c) below. For the purpose of the Share Option Scheme, options may be granted to any company wholly-owned by a Participant.

(c) Subscription price for Shares and consideration for the option

The subscription price for Shares in respect of any options granted under the Share Option Scheme shall be a price determined by the Board, in its absolute discretion, but in any case shall not be less than the highest of:

(i) the closing price per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;

(ii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share on such date of grant,

provided that for the purpose of calculating the subscription price, where the Shares have been listed on the Stock Exchange for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before such listing. Upon acceptance of the option, the grantee shall pay HK$1 to our Company by way of consideration for the grant.

(d) Restriction on time of grant of option

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the announcement of the results, no option shall be granted. Options may be granted to any company wholly-owned by a Participant.

Our Directors may not grant any option to a Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(e) Maximum number of Shares

(i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not, in aggregate, exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (the "Scheme Mandate Limit") (i.e. not exceeding 80,000,000 Shares, without taking into account any Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme) unless our Company seeks the approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit in accordance with below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Group shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.

(ii) Our Company may seek approval of Shareholders in general meetings for refreshing the Scheme Mandate Limit provided that the total number of Shares in respect of which Options may be granted under the Share Option Scheme and any other share option schemes of our Group as "**refreshed**" shall not exceed 10% of the total number of Shares in issue as at the date of the approval by the Shareholders of the refreshment of the Scheme Mandate Limit. All options granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Group and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. For the purpose of seeking the approval, our Company shall send a circular to the Shareholders.

(iii) Our Company may grant options to Participant(s) beyond the Scheme Mandate Limit if the grant of such options is specifically approved by the Shareholders in general meeting provided that the proposed grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought. In seeking such approval, a circular must be sent to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of these options serve such purpose.

Notwithstanding the above, the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time.

(f) Maximum entitlement of each Participant

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to and including the date of the such further grant would exceed 1% of the Shares in issue as at the date of such further grant unless such further grant has been approved by the Shareholders in general meeting with the Participant and his associates abstaining from voting. A circular must be sent to the Shareholders disclosing, among other things, the identity of the Participant and the number and terms of the options to be granted and options previously granted to such Participant. The number and terms (including the subscription price) of the options to be granted to such Participant must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Granting options to connected persons

Any grant of option to our Directors, chief executive or Substantial Shareholders or any of their respective associates under the Share Option Scheme must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the relevant options).

Where any proposed grant of option is made to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant:-

(i) representing in aggregate over 0.1% of the Shares in issue on the date of grant; and

(ii) having an aggregate value in excess of HK$5,000,000 based on the closing price of the Shares at the date of each grant,

then the proposed grant of option must be subject to approval by Shareholders in accordance with the Listing Rules.

(h) Time of acceptance and exercise of option

An offer of the grant of option may be accepted by a Participant within 21 business days from the date of the offer of grant of options.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than 10 years from the date of grant of the option and the Board may at its discretion determine the minimum period for which the option has to be held or restrictions before the exercise of the subscription right attaching to an option.

(i) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or equitable) in favour of any third party over or in relation to any option. In the event that the option is granted to a company wholly-owned by a Participant, such Participant shall not sell, transfer, encumber, charge, mortgage or create any interest in favour of any third party over or in relation to the share capital of such company wholly-owned by him. Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Rights on ceasing employment

In the event of the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by the Participant), who being an Employee on the date of grant, ceasing to be an Employee for any reason other than death or the termination of employment on one or more of the grounds referred to in (I) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Board otherwise determines in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Board may determine following the date of such cessation or termination or, if any of the events referred to in (n) or (o) below occur during such period, exercise the option pursuant to (n) or (o) below respectively. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Group whether salary is paid in lieu of notice or not (provided that the retirement of director(s) of our Group or the relevant Invested Entity at an annual general meeting of such member or Invested Entity who is/are re-elected at the same annual general meeting shall not be regarded as ceasing employment for the purpose of this paragraph).

(k) Rights on death

In the event of the death of the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant) and provided that in the event the grantee (or the beneficial owner of the grantee, as the case may be) being an Employee on the date of grant, none of the events which would be a ground for termination of employment referred to in (l) below arises prior to the death, the legal personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such grantee as at the date of death in whole or in part (to the extent which has become exercisable and not already exercised).

(l) Rights on dismissal

In the event the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant), being an Employee on the date of grant, ceases to be an Employee by reason of the termination of employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary of our Group or the relevant Invested Entity, his right to exercise the option shall lapse automatically and become not exercisable (to the extent not already exercised) on the date on which the grantee ceases to be an Employee.

(m) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company while any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party or a placing or subscription of Shares in cash), such corresponding alterations (if any), certified in writing by an independent financial adviser or the auditors of our Company for the time being as fair and reasonable, shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription price; and/or the maximum number of Shares referred to in sub-paragraph (e) above, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value (and in such circumstances, the subscription price shall be reduced to the nominal value). Any such alteration must be made so that each grantee is given the same proportion of the equity capital of our Company as such grantee was previously entitled. Any adjustment made to the exercise price of, and/or the number of Shares subject to, any options must comply with the Listing Rules and the supplemental guidance issued by the Stock Exchange on 5 September 2005 and any further guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(n) Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), with the terms of the offer having been approved by any relevant regulatory authority and are in accordance with applicable laws and regulatory requirements and such offer becomes or is declared unconditional prior to the expiry of the option, the grantee (or, as the case may be, his legal personal representatives) shall be entitled to exercise the option in full (to the extent which has become exercisable and not already exercised) at any time within fourteen days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than five business days immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant Shares to the grantee credited as fully paid, which

Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(p) Rights on a compromise or arrangement

In the event of a compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as or soon after we give notice of the meeting to our members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his legal representative(s)) may, forthwith and until the expiry of the period commencing from such date and ending on the earlier of:

(i) the date falling two calendar months thereafter; or

(ii) the date on which such compromise or arrangement is sanctioned by Court, exercise his option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his option so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(q) Lapse of option

The right to exercise an option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the date on which the grantee commits a breach of (i) above;

(iii) the expiry of any of the periods referred to in (g) or (k) above;

(iv) the date on which the offer (or, as the case may be, revised offer) referred to in (n) above closes;

(v) subject to (o) above, the date of commencement of the winding-up of our Company;

(vi) subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in (p) above;

(vii) the date on which the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant) ceasing to be an Employee by reason of (I) above; or

(viii) the date on which our Directors shall at their absolute discretion determine that the grantee (other than an Employee) or his associate has committed any breach of contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally.

(r) Ranking of Shares

The Shares to be issued and allotted upon the exercise of an option will be subject to all provisions of the Articles of Association and the Companies Law for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of our Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of our Company.

Unless the context otherwise requires, reference to "Shares" in this paragraph include shares in the share capital of our Company of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of such shares from time to time of forming part of the ordinary equity share capital of our Company.

(s) Duration of the Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to such termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Subject to the aforesaid, the Share Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the Share Option Scheme becomes effective, after which period no further options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect in to the extent necessary to give effect to the exercise of the options granted prior thereto.

(t) Alterations to the Share Option Scheme

The Share Option Scheme may be altered from time to time in any respect to the extent allowed by the Listing Rules by a resolution of the Board except that alterations to the provisions of the Share Option Scheme relating to:

(i) matters set out in Rule 17.03 of the Listing Rules which are to the advantage of grantees or prospective grantees;

(ii) the terms and conditions of the Share Option Scheme which are of a material nature or the terms of the options granted (except where such alterations take effect automatically under the existing terms of the Share Option Scheme); and

(iii) the authority of the Board in relation to any alteration to the terms of the Share Option Scheme, must be approved by the Shareholders in general meeting (with all grantees, prospective grantees and their associates abstaining from voting and the votes taken by poll). The amended terms of the Share Option Scheme or the options shall comply with the requirements of Chapter 17 of the Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time).

(u) Cancellation of options granted

Any cancellation of options granted but not exercised shall require approval of the Board. Where any option is cancelled and new options are to be issued to the same Participant, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders as set out in (e) above.

(v) Performance target

There is no performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions as the Board may determine in its absolute discretion.

(w) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, exercise period, interest rate, expected volatility and other variables. As no option has been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the investors.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

(1) the passing of the necessary resolution by the Shareholder(s), written resolutions to approve and adopt the Share Option Scheme, and to authorise the Board to grant the options thereunder and to allot, issue and deal with the Shares which fall to be issued by our Company pursuant to the exercise of the options under the Share Option Scheme;

(2) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and including any Shares to be issued pursuant to the exercise of options under the Share Option Scheme;

(3) the obligations of the Underwriters under the Underwriting Agreement having become unconditional (including, if relevant, following the waiver of any condition(s)) and the Underwriting Agreement not being terminated in accordance with the terms therein or otherwise; and

(4) the commencement of trading in Shares on the Stock Exchange.

2. Present status of the Share Option Scheme

No options have been granted or agreed to be granted by our Company under the Share Option Scheme as at the Latest Practicable Date. An application has been made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders has, under the Deed of Indemnity referred to in "B. Further Information about the Business — 1. Summary of Material Contracts" in this Appendix, undertaken to indemnify in favour of our Company in respect of, among other things:

(a) any taxation falling on any member of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the date on which the Global Offering becomes unconditional (the "**Effective Date**"), or any event, transaction, act or omission occurring or deemed to occur on or before the Effective Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Effective Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(b) all sums, outgoings, fees, demands, claims, damages, losses, costs, charges, liabilities, fines, penalties, payments, suits, and expenses associated, incurred or suffered by our Company or any members of our Group directly or indirectly in connection with any litigation, arbitrations, claims (including counter-claims), complains, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortuous nature or otherwise instituted by or against our Company and/or any member of our Group which was issued and/or accused and/or arising from any act, non-performance, omission or otherwise of our Company or any member of our Group on or before the Effective Date;

(c) all claims, payments, losses or any other liabilities incurred or suffered by any member of our Group as a result of or arising from any litigation or proceedings against any member of our Group in respect of any matter or act or otherwise of any member of the Group on or before the Listing Date, including without limitation, the Reorganisation as set out in the section headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus; and

(d) any and all of the non-compliance with any applicable laws, rules or regulations by our Company and/or any member of our Group on or before the Effective Date, except that specific provision, reserve or allowance has been made for such liabilities in the audited combined accounts of our Group for the Track Record Period.

Our Controlling Shareholders, shall be under no liability in respect of, among others, any liability on taxation and taxation claims:

(a) to the extent that full provision has been made for such taxation in the audited consolidated accounts for any accounting period up to 31 December 2018, as set out in Appendix I to this prospectus;

(b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;

(c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of our Group which is/are carried out or effected in the ordinary course of business or in ordinary course of acquiring and disposing of capital assets after the Listing Date; or

(d) to the extent of any provisions or reserve made for taxation in the audited accounts of any member of our Group for the Track Record Period which is finally established to be an over-provision or an excess reserve.

2. Litigation

Save as disclosed in the section headed "Business — Legal Proceedings" in this prospectus, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for a listing of, and permission to deal in, all the Shares on issue and to be issued as mentioned in this prospectus (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and the options under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fee is HK$6.5 million and are payable by our Company.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK$46,100 and are paid by our Company.

5. Promoter

Our Company has no promoter for the purposes of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promotor of our Company nor is any cash, securities or benefit intended to be paid, allotted or given in connection within the Global Offering or the related transactions described in this prospectus.

6. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	**Qualifications**
Haitong International Capital Limited	Licenced corporation under the SFO to engaged in type 6 (advising on corporate finance) of the regulated activities
Grandall Law Firm (Shanghai)	PRC legal advisers
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant
BDO Limited	Certified Public Accountants

The statements of the experts as mentioned in this paragraph above were dated the date of this prospectus and were made by the experts for incorporation in this prospectus.

7. Consents of experts

Each of the experts whose names are set out in the paragraph 6 of “Qualification of experts” in this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and the references to its name included herein in the form and context in which it is respectively included.

8. Particulars of the Selling Shareholders

The particulars of the Selling Shareholders are set out as follows:

Name:	Brilliance Benefit Holding Limited
Place of incorporation:	the BVI
Date of incorporation:	11 May 2017
Registered office:	Sertus Incorporations (BVI) Limited, Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	25,000,000 Shares, and up to additional 3,750,000 Shares to be offered for sale if the Over-allotment Option is fully exercised
Name:	Xinland Investment Limited
Place of incorporation:	the BVI
Date of incorporation:	19 May 2017
Registered office:	Sertus Incorporations (BVI) Limited, Sertus Chambers, P.O. Box 905, Quastisky Building, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold:	15,000,000 Shares, and up to additional 2,250,000 Shares to be offered for sale if the Over-allotment Option is fully exercised

Each of the Selling Shareholders is an investment holding company. Brilliance Benefit is wholly owned by Mr. Lu and Xinland Investment is wholly owned by Mr. Wang.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

10. Miscellaneous

(a) Save as disclosed in this prospectus, and, where applicable:

(i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iv) within the two years preceding the date of this prospectus, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued and no amount or benefit had been paid or given within two preceding years or is intended to be paid or given to any promotor.

(b) None of the persons named in the section headed "Statutory and General Information — E. Other Information — 6. Qualification of experts" in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group.

(c) The branch share register of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

(d) Save as disclosed in this prospectus, no company within our Group is presently listed on any stock exchange or traded on any trading system.

(e) Save as disclosed in this prospectus, none of our Directors or the persons named under "Qualification of experts" in this Appendix had received any commissions, discounts, brokerages or other special terms or agency fees from our Group in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

(f) Save as disclosed in the Accountants' Report set out in Appendix I to this prospectus, there are no related party transactions within the Track Record Period immediately preceding the date of this prospectus.

(g) There is no arrangement under which future dividends are waived or agreed to be waived.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English version and the Chinese language version, the English version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- copies of each of the material contracts set out in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this prospectus;
- the written consents set out in the section headed "Statutory and General Information — E. Other Information — 7. Consents of experts" in Appendix IV to this prospectus; and
- a copy of the statement of particulars of each of the Selling Shareholders (including its name, description and address).

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of K&L Gates at 44th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(1) the Memorandum of Association and the Articles of Association;

(2) the Accountants' Report prepared by BDO Limited, the text of which is set forth in Appendix I to this prospectus;

(3) the audited consolidated financial statements of our Group for the three financial years ended 31 December 2018;

(4) the report on the unaudited pro forma financial information of our Group prepared by BDO Limited, the text of which is set forth in Appendix II to this prospectus;

(5) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our Industry Consultant;

(6) the PRC legal opinions issued by Grandall Law Firm (Shanghai), our PRC Legal Advisers on PRC law;

(7) the letter prepared by Maples and Calder (Hong Kong) LLP, our legal advisers on Cayman Islands law, summarising certain aspects of the company law of the Cayman Islands referred to in Appendix III to this prospectus;

(8) the Companies Law;

(9) the material contracts set out in the section headed "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(10) a copy of the statement of particulars of each of the Selling Shareholders (including its name, description and address);

(11) the rules of the Share Option Scheme; and

(12) the written consents set out in the section headed "Statutory and General Information — E. Other Information — 7. Consents of experts" in Appendix IV to this prospectus.

PUJIANG INTERNATIONAL GROUP LIMITED
浦江國際集團有限公司