



浦江國際集團

PUJIANG INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 2060)

INTERIM REPORT  
**2022**



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Dr. Tang Liang (*Chairman*)  
Mr. Zhou Xufeng (*CEO*)  
Mr. Ni Xiaofeng  
Mr. Hua Wei

#### Independent Non-Executive Directors

Ms. Pan Yingli  
Mr. Chen Dewei  
Mr. Zhang Bihong

### SENIOR MANAGEMENT

Mr. Luo Guoqiang  
Mr. Xu Haoming  
Mr. You Shengyi  
Mr. Li Gang

### COMPANY SECRETARY

Ms. Lai Siu Kuen

### AUDIT COMMITTEE

Mr. Zhang Bihong (*Chairman*)  
Ms. Pan Yingli  
Mr. Chen Dewei

### REMUNERATION COMMITTEE

Ms. Pan Yingli (*Chairman*)  
Mr. Chen Dewei  
Mr. Zhang Bihong

### NOMINATION COMMITTEE

Mr. Chen Dewei (*Chairman*)  
Ms. Pan Yingli  
Mr. Zhang Bihong

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

Maples Corporate Services Limited  
PO Box 309, Uglan 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

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

### COMPANY'S WEBSITE

[www.pji-group.com](http://www.pji-group.com)

### CAYMAN SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
Cayman Office  
Windward 3,  
Regatta Office Park  
PO Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

### HONG KONG SHARE REGISTRAR

17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### PRINCIPAL BANKER

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

### AUDITOR

BDO Limited

### HONG KONG LEGAL ADVISER

Norton Rose Fulbright Hong Kong

### STOCK CODE

2060

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



**TO THE BOARD OF DIRECTORS OF PUJIANG INTERNATIONAL GROUP LIMITED**

*(incorporated in Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 4 to 35 which comprise the condensed consolidated statement of financial position of Pujiang International Group Limited and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2022 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

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

### Scope of Review

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

### Conclusion

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

### BDO Limited

*Certified Public Accountants*

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong

24 August 2022

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Unaudited six months ended 30 June	
		2022 RMB'000	2021 RMB'000
<b>Revenue</b>	6	<b>1,028,266</b>	952,165
Cost of sales		<b>(798,055)</b>	(690,420)
<b>Gross profit</b>		<b>230,211</b>	261,745
Other revenue		<b>5,913</b>	6,660
Other gains and losses		<b>34,225</b>	493
Impairment loss (recognised)/reversed on trade and retention receivables		<b>(32,378)</b>	3,545
Impairment loss reversed/(recognised) on deposits and other receivables		<b>281</b>	(816)
Selling and distribution costs		<b>(10,563)</b>	(21,023)
General and administrative expenses		<b>(21,089)</b>	(35,671)
Research and development expenses		<b>(39,471)</b>	(41,890)
Share of loss of associates		<b>(7,558)</b>	(1,795)
Finance costs	7	<b>(76,951)</b>	(50,143)
<b>Profit before income tax expenses</b>	8	<b>82,620</b>	121,105
Income tax expenses	10	<b>(6,909)</b>	(23,162)
<b>Profit for the period</b>		<b>75,711</b>	97,943
Attributable to:			
– Owners of the Company		<b>70,912</b>	79,447
– Non-controlling interests		<b>4,799</b>	18,496
		<b>75,711</b>	97,943

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Unaudited six months ended 30 June	
		2022 RMB'000	2021 RMB'000
<b>Profit for the period</b>		<b>75,711</b>	97,943
<b>Other comprehensive income, net of tax</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange difference arising on translation of foreign operations		<u>(2,563)</u>	<u>(11,059)</u>
<b>Other comprehensive income for the period</b>		<u>(2,563)</u>	<u>(11,059)</u>
<b>Total comprehensive income for the period</b>		<u><b>73,148</b></u>	<u>86,884</u>
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the Company		<u>68,349</u>	67,476
– Non-controlling interests		<u>4,799</u>	19,408
		<u><b>73,148</b></u>	<u>86,884</u>
<b>Earnings per share for profit attributable to owners of the Company</b>			
	12	<b>RMB</b>	RMB
– Basic		<u>0.0874</u>	<u>0.0980</u>
– Diluted		<u>0.0872</u>	<u>0.0978</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	282,433	153,849
Intangible assets	14	–	–
Interest in associates	15	247,441	254,999
Deferred tax assets		17,173	11,493
Deposits		171,079	135,839
		<u>718,126</u>	<u>556,180</u>
<b>Current assets</b>			
Inventories		662,601	602,799
Trade and retention receivables	16	1,663,166	1,326,654
Prepayments, deposits and other receivables		2,071,829	2,209,998
Restricted bank deposits		295,132	234,648
Cash and cash equivalents		348,122	372,974
		<u>5,040,850</u>	<u>4,747,073</u>
Non-current assets classified as held for sale	17	–	17,590
<b>Total current assets</b>		<u>5,040,850</u>	<u>4,764,663</u>
<b>Total assets</b>		<u>5,758,976</u>	<u>5,320,843</u>
<b>Current liabilities</b>			
Trade and bills payables	18	1,037,912	737,766
Contract liabilities		85,000	59,147
Other payables and accruals		206,167	158,736
Bank and other borrowings	19	1,770,122	1,921,219
Amounts due to related companies		72,019	104,000
Income tax payable		35,331	31,596
Lease liabilities		26,487	28,192
<b>Total current liabilities</b>		<u>3,233,038</u>	<u>3,040,656</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

AS AT 30 JUNE 2022

	Notes	Unaudited As at 30 June 2022 RMB'000	Audited As at 31 December 2021 RMB'000
<b>Net current assets</b>		<b>1,807,812</b>	1,724,007
<b>Total assets less current liabilities</b>		<b>2,525,938</b>	2,280,187
<b>Non-current liabilities</b>			
Lease liabilities		1,066	13,272
Bank and other borrowings	19	282,296	97,487
<b>Total non-current liabilities</b>		<b>283,362</b>	110,759
<b>Net assets</b>		<b>2,242,576</b>	2,169,428
<b>CAPITAL AND RESERVES</b>			
Share capital	20	7,138	7,138
Reserves		2,133,933	2,065,584
<b>Equity attributable to owners of the Company</b>		<b>2,141,071</b>	2,072,722
<b>Non-controlling interests</b>		<b>101,505</b>	96,706
<b>Total equity</b>		<b>2,242,576</b>	2,169,428

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Equity attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Statutory reserve	Merger reserve	Translation reserve	Share-based payment reserves	Retained earnings	Total	Non-controlling interests	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note 20)											
<b>Unaudited</b>												
<b>For the six months ended</b>												
<b>30 June 2022</b>												
<b>At 1 January 2022</b>	7,138	431,350	167,968	143,101	90,341	(39,728)	47,688	1,224,864	2,072,722	96,706	2,169,428	
Profit for the period	-	-	-	-	-	-	-	70,912	70,912	4,799	75,711	
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(2,563)	-	-	(2,563)	-	(2,563)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(2,563)	-	70,912	68,349	4,799	73,148	
Transfer from retained earnings to statutory reserve	-	-	-	89,811	-	-	-	(89,811)	-	-	-	
Lapsed share options	-	-	-	-	-	-	(18,670)	18,670	-	-	-	
<b>At 30 June 2022</b>	<b>7,138</b>	<b>431,350</b>	<b>167,968</b>	<b>232,912</b>	<b>90,341</b>	<b>(42,291)</b>	<b>29,018</b>	<b>1,224,635</b>	<b>2,141,071</b>	<b>101,505</b>	<b>2,242,576</b>	

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Equity attributable to owners of the Company										
	Share capital	Share premium	Capital reserve	Statutory reserve	Merger reserve	Translation reserve	Share-based payment reserves	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 20)										

### Unaudited

For the six months ended

30 June 2021

<b>At 1 January 2021</b>	7,138	465,016	159,181	94,199	90,341	(15,041)	47,688	915,833	1,764,355	319,055	2,083,410
Profit for the period	-	-	-	-	-	-	-	79,447	79,447	18,496	97,943
Exchange difference arising on translation of foreign operations	-	-	-	-	-	(11,971)	-	-	(11,971)	912	(11,059)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(11,971)	-	79,447	67,476	19,408	86,884
Transfer from retained earnings to statutory reserve	-	-	-	10,490	-	-	-	(10,490)	-	-	-
Dividend declared	-	(40,552)	-	-	-	-	-	-	(40,552)	-	(40,552)
<b>At 30 June 2021</b>	<u>7,138</u>	<u>424,464</u>	<u>159,181</u>	<u>104,689</u>	<u>90,341</u>	<u>(27,012)</u>	<u>47,688</u>	<u>984,790</u>	<u>1,791,279</u>	<u>338,463</u>	<u>2,129,742</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax expenses	82,620	121,105
Adjustments for:		
Share of loss of associates	7,558	1,795
Depreciation of property, plant and equipment	3,346	3,649
Depreciation of right-of-use-assets	15,037	612
Finance costs	76,951	50,143
Impairment loss recognised/(reversed) on trade and retention receivables	32,378	(3,545)
Impairment loss (reversed)/recognised on deposits and other receivables	(281)	816
Interest income	(1,365)	(2,265)
Gain on disposal of assets classified as held for sale	(34,135)	–
Written off of property, plant and equipment	–	3
(Gain)/loss on disposal of property, plant and equipment	(36)	4
<b>Operating profits before working capital changes</b>	<b>182,073</b>	<b>172,317</b>
Increase in inventories	(59,802)	(319,213)
(Increase)/decrease in trade and retention receivables	(368,890)	10,051
Decrease/(increase) in prepayments, deposits and other receivables	103,210	(409,385)
Increase in trade and bill payables	300,146	88,480
Increase/(decrease) in contract liabilities	25,853	(54,602)
Increase/(decrease) in other payables and accruals	21,257	(981)
<b>Cash generated from/(used in) operations</b>	<b>203,847</b>	<b>(513,333)</b>
Income tax paid	(8,854)	(23,021)
<i>Net cash generated from/(used in) operating activities</i>	<b>194,993</b>	<b>(536,354)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(72,276)	(7,632)
Proceed from disposals of property, plant and equipment	52	–
Deposit paid for purchases of property, plant and equipment	–	(32,078)
(Release)/placement of restricted bank deposits	(60,484)	17,228
Interest received	1,365	2,265
<i>Net cash used in investing activities</i>	<b>(131,343)</b>	<b>(20,217)</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** (Continued)  
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	1,067,340	1,110,640
Repayment of bank borrowings	(1,033,628)	(1,085,698)
Payment of principal portion of lease liabilities	(13,911)	(263)
Interest paid	(76,951)	(50,143)
Repayment of advances from related companies	(31,981)	–
<i>Net cash used in financing activities</i>	<b>(89,131)</b>	(25,464)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(25,481)</b>	(582,035)
Cash and cash equivalents at the beginning of the period	372,974	891,921
Effect of foreign exchange rates changes on cash and cash equivalents, net	629	(11,059)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>348,122</b>	298,827



## **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 JUNE 2022

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 26 April 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business in the People's Republic of China (the "PRC") is 16/F., No. 518 Shangcheng Road, Shanghai, PRC. The Company is an investment holding company and the Group is principally engaged in manufacture, installation and sales of customised prestressed steel materials and cables. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") since 28 May 2019.

### **2. BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These interim condensed consolidated financial statements were authorised for issue on 24 August 2022.

These interim condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2021 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022. Details of any changes in accounting policies are set out in note 3. The adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") have no material effect on these interim condensed consolidated financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

The preparation of these interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2021.

## **2. BASIS OF PREPARATION** (Continued)

These interim condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These interim condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group. These interim condensed consolidated financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the 2021 consolidated financial statements.

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA. BDO Limited’s independent review report to the Board of Directors is included on pages 1 and 2.

## **3. CHANGES IN HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## **4. USE OF JUDGEMENTS AND ESTIMATES**

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2021.

## 5. SEGMENT INFORMATION

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

Based on the above, the Group's top management determined that the Group has two reportable segments. The segments are managed separately as each business offers different products and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Cables

Provision of manufacture, installation and sale of cables

- Prestressed steel materials

Provision of manufacture and sale of customised prestressed steel materials

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

### (a) Segment revenue and results

*For the six months ended 30 June 2022 (unaudited)*

	Prestressed steel		Elimination	Segment	Unallocated	Total
	Cables	materials		total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	514,934	513,332	-	1,028,266	-	1,028,266
Segment profit/(loss) before income tax expenses	58,640	51,850	-	110,490	(27,870)	82,620

## 5. SEGMENT INFORMATION (Continued)

### (a) Segment revenue and results (Continued)

For the six months ended 30 June 2021 (unaudited)

	Cables RMB'000	Prestressed steel materials RMB'000	Elimination RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Revenue from external customers	<u>512,430</u>	<u>439,735</u>	<u>-</u>	<u>952,165</u>	<u>-</u>	<u>952,165</u>
Segment profit/(loss) before income tax expenses	<u>91,892</u>	<u>56,951</u>	<u>-</u>	<u>148,843</u>	<u>(27,738)</u>	<u>121,105</u>

### (b) Segment assets and liabilities

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

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Segment assets		
Cables	<b>3,524,537</b>	3,136,598
Prestressed steel materials	<b>1,476,628</b>	1,408,477
Segment assets	<b>5,001,165</b>	4,545,075
Unallocated	<b>757,811</b>	775,768
Total assets	<b>5,758,976</b>	5,320,843

## 5. SEGMENT INFORMATION (Continued)

### (b) Segment assets and liabilities (Continued)

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Segment liabilities		
Cables	2,683,260	2,319,836
Prestressed steel materials	488,858	440,375
Segment liabilities	3,172,118	2,760,211
Unallocated	344,282	391,204
Total liabilities	3,516,400	3,151,415

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

For the six months ended 30 June 2022 (unaudited)

	Cables RMB'000	Prestressed steel materials RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Interest income	738	596	1,334	31	1,365
Government grants	3,260	1,283	4,543	-	4,543
Finance costs	(58,030)	(6,400)	(64,430)	(12,521)	(76,951)
Income tax expenses	727	(7,636)	(6,909)	-	(6,909)
Depreciation of right-of-use assets	(180)	(14,857)	(15,037)	-	(15,037)
Depreciation of property, plant and equipment	(1,189)	(2,157)	(3,346)	-	(3,346)
Share of loss of associates	-	-	-	(7,558)	(7,558)
Impairment loss recognised on trade receivables and retention receivables	(14,300)	(18,078)	(32,378)	-	(32,378)
Impairment loss reversed on deposits and other receivables	281	-	281	-	281
Gain on disposal of property, plant and equipment	13	23	36	-	36
Additions to property, plant and equipment	6,129	140,853	146,982	-	146,982
Gain on disposal of assets classified as held for sale	-	34,135	34,135	-	34,135

## 5. SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2021 (unaudited)

	Cables	Prestressed steel materials	Segment total	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	1,774	483	2,257	8	2,265
Government grants	2,610	1,784	4,394	-	4,394
Finance costs	(32,779)	(9,210)	(41,989)	(8,154)	(50,143)
Income tax expenses	(14,140)	(9,022)	(23,162)	-	(23,162)
Depreciation of right-of-use assets	(345)	(267)	(612)	-	(612)
Depreciation of property, plant and equipment	(2,432)	(1,217)	(3,649)	-	(3,649)
Share of profit/(loss) of associates	-	-	-	(1,795)	(1,795)
Impairment loss reversed/(recognised) on trade receivables and retention receivables	3,895	(350)	3,545	-	3,545
Impairment loss recognised on deposits and other receivables	(816)	-	(816)	-	(816)
Written off of property, plant and equipment	(3)	-	(3)	-	(3)
Loss on disposal of property, plant and equipment	-	(4)	(4)	-	(4)
Additions to property, plant and equipment	5,276	26,582	31,858	-	31,858

### (d) Geographical information

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 99% of the Group's revenue is from external customers in the PRC during the period.

## 5. SEGMENT INFORMATION (Continued)

### (e) Information about major customers

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

	Unaudited six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Customer A <sup>1</sup>	373,276	311,522
Customer B <sup>2</sup>	-	106,162

Notes:

<sup>1</sup> Revenue from sales of prestressed steel materials.

<sup>2</sup> Revenue from sales of cables.

## 6. REVENUE

Revenue represents the net invoiced value of goods sold or services rendered and earned by the Group. All the Group's revenue is derived from contracts with customers.

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

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Trade and retention receivables	1,663,166	1,326,604
Contract liabilities	85,000	59,147

## 6. REVENUE (Continued)

### Timing of revenue recognition

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

	Unaudited six months ended 30 June	
	2022 RMB'000	2021 RMB'000
<b>At a point in time</b>		
Sales of customised prestressed steel materials and cables	1,026,771	944,754
<b>Over time</b>		
Provision of installation services	1,495	7,411
	<u>1,028,266</u>	<u>952,165</u>

### Unsatisfied performance obligations

As at 30 June 2021 and 2022, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) were approximately RMB1,333,019,000 and RMB1,588,000,000 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.

## 7. FINANCE COSTS

	Unaudited six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Interest expense on bank borrowings	73,125	50,034
Interest expense on other borrowing	–	62
Interest expense on lease liabilities	902	47
Interest expense on bills payables	4,975	–
	<b>79,002</b>	
Less: amount capitalised into qualifying assets	<b>(2,051)</b>	–
	<b>76,951</b>	50,143

Borrowing costs included in the cost of qualifying assets during the period arose on general borrowing pool and are calculated by applying a capitalisation rate of 5.74 percent (2021: Nil) to expenditure on such assets.

## 8. PROFIT BEFORE INCOME TAX EXPENSES

The Group's profit before income tax expenses is arrived at after charging:

	Unaudited six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Auditors' remuneration	550	500
Cost of inventories sold (Note i)	798,055	690,420
Employee costs (Note 9)	27,369	27,128
Depreciation charge:		
– Property, plant and equipment	3,346	3,649
– Right of use assets	15,037	612

Note:

- (i) Cost of inventories sold for the six months ended 30 June 2021 and 2022 includes approximately RMB21,939,000 and RMB12,731,000 of employee costs and depreciation charge, which are also included in the respective total amounts disclosed above for each of these types of expenses respectively.

## 9. EMPLOYEE COSTS

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	20,819	20,844
Contributions to retirement benefits scheme	3,213	3,426
Other employee benefits	3,337	2,858
	<u>27,369</u>	<u>27,128</u>

## 10. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax (the “PRC EIT”)		
– for the period	19,555	17,754
– (Over)/under provision in the prior periods	(6,966)	4,273
	<u>12,589</u>	<u>22,027</u>
Deferred tax		
– for the period	(5,680)	1,135
	<u>6,909</u>	<u>23,162</u>

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 period.

## 11. DIVIDENDS

The Board of Directors of the Company has not declared an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil). The Board of Directors has resolved not to recommend any payment of dividends for year ended 31 December 2021 (2020: HK\$0.05 per ordinary share).

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on profit for the period attributable to owners of the Company of approximately RMB70,912,000 (six months ended 30 June 2021: RMB79,447,000) and the weighted average number of ordinary shares of 811,044,000 shares (six months ended 30 June 2021: 811,044,000).

### (b) Diluted earnings per share

The calculation of diluted earnings per share attributable to owners of the Company is based on profit for the period attributable to owners of the Company of RMB70,912,000 (six months ended 30 June 2021: RMB79,447,000) and the weighted average number of ordinary shares of 813,220,180 shares (six months ended 30 June 2021: 812,479,953).

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

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<b>70,912</b>	79,447

## 12. EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share (Continued)

	Number of shares 2022	Number of shares 2021
<b>Number of Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	811,044,000	811,044,000
Effect of dilution – weighted average number of ordinary shares: Share options	2,176,180	1,435,953
Weighted average number of ordinary shares during the period used in the diluted earnings per share calculation	813,220,180	812,479,953

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of plant and machinery with a cost of approximately RMB146,982,000 (six months ended 30 June 2021: RMB31,858,000) of which construction in progress is RMB146,469,000 (six months ended 30 June 2021: RMB4,502,000). Amongst the additions of property, plant and equipment during the six months ended 30 June 2022, RMB74,707,000 was unpaid and included within “Other payables and accruals” (six months ended 30 June 2021: Nil).

There are items of plant and machinery being disposed of for the six months ended 30 June 2022 with a cost of approximately RMB389,000 (six months ended 30 June 2021: RMB95,000), whose net book value is approximately RMB16,000 (six months ended 30 June 2021: RMB4,000), with a gain of disposal of approximately RMB36,000 (six months ended 30 June 2021: loss of disposal of RMB4,000).

There is no item of plant and machinery being written off for the six months ended 30 June 2022. There are items of plant and machinery being written off for the six months ended 30 June 2021 with a cost of approximately RMB59,000, whose net book value is approximately RMB3,000.

## 14. INTANGIBLE ASSETS

	<b>Technology know-how RMB'000</b>
<b>Cost</b>	
At 31 December 2021 and 30 June 2022	<u>6,250</u>
<b>Accumulated amortisation</b>	
At 31 December 2021 and 30 June 2022	<u>6,250</u>
<b>Net book value</b>	
At 30 June 2022 (Unaudited)	<u>–</u>
At 31 December 2021 (Audited)	<u>–</u>

## 15. INTEREST IN ASSOCIATES

	<b>As at 30 June 2022 RMB'000 Unaudited</b>	<b>As at 31 December 2021 RMB'000 Audited</b>
Share of net assets other than goodwill	<b>185,936</b>	193,494
Goodwill	<u><b>61,505</b></u>	<u>61,505</u>
	<u><b>247,441</b></u>	<u>254,999</u>

## 15. INTEREST IN ASSOCIATES (Continued)

Details of the Group's associates are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/profit share
Shanghai Push Medical Device Technology Co., Limited	Developing the technology of, manufacturing and sales of medical equipment in the PRC	23.108%
Shanghai International Superconducting Technology Co., Ltd	Developing the technology of, manufacturing and superconducting cables and attachments in the PRC	40%

Summarised financial information of associates:

### Shanghai Push Medical Device Technology Co., Limited

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Current assets	109,154	136,325
Non-current assets	324,160	298,697
Current liabilities	(16,026)	(19,032)
Non-current liabilities	(15,083)	(19,279)
Net assets	402,205	396,711
Group's share of the net assets of the associate	92,942	91,672

## 15. INTEREST IN ASSOCIATES (Continued)

### Shanghai Push Medical Device Technology Co., Limited (Continued)

	Unaudited six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue	37,132	36,819
Expenses	(31,639)	(17,429)
Profit and total comprehensive income	5,493	19,390
Group's share of profit of the associate	1,269	4,537

### Shanghai International Superconducting Technology Co., Ltd

	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	Unaudited	Audited
Current assets	102,744	118,535
Non-current assets	131,971	151,231
Current liabilities	(879)	(11,330)
Non-current liabilities	(1,350)	(3,881)
Net assets	232,486	254,555
Group's share of the net assets of the associate	92,994	101,822

## 15. INTEREST IN ASSOCIATES (Continued)

### Shanghai International Superconducting Technology Co., Ltd (Continued)

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue	122	99
Expenses	(22,191)	(15,930)
Loss and total comprehensive loss	(22,069)	(15,831)
Group's share of loss of the associate	(8,827)	(6,332)

## 16. TRADE AND RETENTION RECEIVABLES

	As at	As at
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	Unaudited	Audited
Trade receivables	1,578,014	1,218,915
Retention receivables	152,840	142,999
Less: impairment loss on trade and retention receivables	(67,688)	(35,310)
Bill receivables	1,663,166	1,326,604
	-	50
	1,663,166	1,326,654

## 16. TRADE AND RETENTION RECEIVABLES (Continued)

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 invoice dates, as of the end of the reporting period:

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Within 3 months	666,228	573,600
Within 4 – 6 months	138,169	223,039
Within 7 – 12 months	392,295	157,442
More than 1 year but less than 2 years	350,513	304,865
More than 2 years but less than 3 years	95,855	54,188
More than 3 years but less than 4 years	13,524	9,278
More than 4 years but less than 5 years	5,074	3,159
Over 5 years	1,508	1,033
	<b>1,663,166</b>	<b>1,326,604</b>

## 17. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In a prior period, Ossen (Jiujiang) New Materials Co., Limited (a subsidiary of the Group) and Jiujiang Economic Development Zone of Ministry of Land and Resources entered into an agreement for Ossen (Jiujiang) New Materials Co., Limited's assets with total consideration of RMB51,725,000. Pursuant to the agreement, the assets transfer is expected to be completed within one year from the agreement signing date.

As at 30 June 2022, the assets transfer has been completed. The gain on disposal of asset classified as held for sale was recognised in profit and loss.

## 18. TRADE AND BILLS PAYABLES

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Trade payables	198,422	173,280
Bills payables	839,490	564,486
	<u>1,037,912</u>	<u>737,766</u>

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

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Within 3 months	34,465	52,453
Within 4 – 6 months	52,338	22,015
Within 7 – 12 months	77,874	60,773
More than 1 year but less than 2 years	28,934	32,477
More than 2 year but less than 3 years	2,440	2,579
More than 3 year but less than 4 years	355	875
More than 4 year but less than 5 years	93	102
Over 5 years	1,923	2,006
	<u>198,422</u>	<u>173,280</u>

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.

## 19. BANK AND OTHER BORROWINGS

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
<b>Current</b>		
<i>Secured interest-bearing</i>		
– short-term bank loans	<u>1,770,122</u>	<u>1,921,219</u>
<b>Non-current</b>		
<i>Secured interest-bearing</i>		
– long-term bank and other loans	<u>282,296</u>	<u>97,487</u>
	<u>2,052,418</u>	<u>2,018,706</u>
Analysed based on scheduled repayment terms set out in the loan agreements, into:		
– Repayable on demand or within one year	<u>1,770,122</u>	1,921,219
– More than one year, but not exceeding two years	<u>215,156</u>	97,487
– More than two years, but no exceeding five years	<u>67,140</u>	–
	<u>2,052,418</u>	<u>2,018,706</u>

The bank borrowings of the Group bear interest at fixed and floating effective interest rates ranging from 3.85% to 9.60% at 30 June 2022 (31 December 2021: from 3.05% to 9.00%).

## 19. BANK AND OTHER BORROWINGS (Continued)

The bank and other loans are secured by:

- (a) certain buildings, leasehold improvement and machineries included in property, plant and equipment (Note 13) and trade and retention receivables (Note 16);
- (b) personal guarantees executed by Dr. Tang Liang, a director of the Company, Mr. Hua Wei, a director of a subsidiary of the Group, and corporate guarantees given by independent third parties and the following subsidiaries of the Group: Zhejiang Pujiang Cable Co., Limited, Ossen (Jiujiang) New Materials Co. Limited, Shanghai Pujiang Cable Co., Limited, Shanghai New Materials Industry Technology Research Institute Co Ltd, Pujiang International Group Limited, Ossen Innovation Materials Co., Ltd, and Ossen Group Co., Limited.

## 20. SHARE CAPITAL

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

	Share capital	
	Number of shares	RMB'000
<b>Issued and fully paid</b>		
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	811,044,000	7,138

## 21. SHARE OPTION SCHEME

Pursuant to resolutions passed by the shareholder of the Company on 24 April 2019, the shareholders of the Company approved the adoption of a share option scheme (the “Share Option Scheme”). The maximum term of the options granted is 10 years from the date of offer. The exercise price of the options granted is set as the Stock Exchange closing price of the Company’s shares on the date of the offer. The Share Option Scheme is deemed to be an equity-settled share based remuneration scheme for employees and directors. The Share Option Scheme will be valid and effective for a period of 10 years commencing from 3 June 2019 and 23 October 2019 after which period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and the options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

The following share options were outstanding under the Share Option Scheme during the period:

	Unaudited Six months ended 30 June			
	Weighted average exercise price 2022 HK\$	Number 2022	Weighted average exercise price 2021 HK\$	Number 2021
Outstanding at the beginning of the period	3.11	42,000,000	3.11	42,000,000
Share Option 2 Lapsed on 17 February 2022	4.09	(10,000,000)	–	–
Share Option 1 Lapsed on 26 April 2022	2.80	(2,520,000)	–	–
Outstanding at the end of the period	2.80	29,480,000	3.11	42,000,000

The exercise price of options outstanding at the end of the period is HK\$2.80 (30 June 2021: HK\$3.11) and their weighted average remaining contractual life was 7.5 years (30 June 2021: 8.5 years).

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

## 22. CAPITAL COMMITMENTS

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
Commitments for the acquisition of property, plant and equipment	<b>28,468</b>	166,653

## 23. RELATED PARTY TRANSACTIONS

The compensation of key management personnel, representing remuneration of the Company's directors, for the six months ended 30 June 2022 was RMB1,576,000 (six months ended 30 June 2021: RMB874,000). During the six months ended 30 June 2022, the Group had repaid RMB31,981,000 to related companies of the Company (six months ended 30 June 2021: Nil). The amount due to related companies are unsecured, interest free and repayable on demand. There are no other related party transactions for six months ended 30 June 2022 and 30 June 2021.

## 24. FINANCIAL RISK MANAGEMENT

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

	As at 30 June 2022 RMB'000 Unaudited	As at 31 December 2021 RMB'000 Audited
<b>Financial assets</b>		
<b>At amortised cost</b>		
– Cash and cash equivalents	348,122	372,974
– Restricted bank deposits	295,132	234,648
– Trade and retention receivables	1,663,166	1,326,654
– Deposits and other receivables	316,960	327,520
	<u>2,623,380</u>	<u>2,261,796</u>
<b>Financial liabilities</b>		
<b>At amortised cost</b>		
– Trade and bills payables	1,037,912	737,766
– Other payables and accruals	146,464	98,766
– Bank and other borrowings	2,052,418	2,018,706
– Amounts due to related companies	72,019	104,000
	<u>3,308,813</u>	<u>2,959,238</u>
<b>Other financial liabilities</b>		
– Lease liabilities	27,553	41,464
	<u>3,336,366</u>	<u>3,000,702</u>

## 24. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Fair value

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

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

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

#### *Financial instruments not measured at fair value*

Financial instruments not measured at fair value include cash and cash equivalents, restricted bank deposits, trade and retention receivables, deposit and other receivables, trade and bills payables, other payables and accruals, amounts dues to related companies, bank borrowings and lease liabilities.

Due to their short term nature, the carrying value of cash and cash equivalents, restricted bank deposits, trade and retention receivables, deposit and other receivables, trade and bills payables, other payables and accruals, and amounts due to related companies approximates fair value.

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as 30 June 2022 and 31 December 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The board (the “Board”) of Directors (the “Director(s)”) of Pujiang International Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 (the “Reporting Period”).

During the Reporting Period, the Group has two main reporting business segments, namely, the business which manufactures cables for long-span bridges (the “Cable Business”) and the business which manufactures prestressed materials for various infrastructure construction (the “Prestressed Materials Business”). During the Reporting Period, the total revenue of the Group amounted to RMB1,028.3 million, representing an increase of 8.0% as compared to the corresponding period in 2021.

The Group recorded profit of RMB75.7 million in the first half of 2022, representing a decrease of 22.7% as compared to the first half of 2021 partially due to the increase in expenses caused by the COVID-19 pandemic including impairment loss recognised on trade and retention receivables and finance costs. The gross profit margin for the Group decreased from 27.5% to 22.4% mainly due to the decrease in gross profit margin of the Prestressed Materials Business and the increase in cost of sales as a result of relocation of the production facilities in Jiujiang, Jiangxi Province, the PRC that certain production processes had to be temporarily subcontracted leading to a temporary increase in cost of sales. Such increase in cost attributable to the relocation may be alleviated following its completion in the second half of 2022. The gross profit margin of the Cable Business remained stable.

#### Cable Business

During the Reporting Period, the Group continued to focus on the production and sale of bridge cables. During the Reporting Period, the Group completed 38 projects and was awarded 82 new projects for the Cable Business.

As of the date of this report, the Group has 134 on-going projects. With the on-going projects in hand, the Group remains confident in the development of Cable Business in the second half of 2022. Below sets out some of the on-going projects for the Cable Business:

- Shenzhen-Zhongshan Link – Lingding Yang Bridge\* (深中通道伶仃洋大橋)
- Guizhou Tongzi River Grand Bridge\* (貴州桐梓河特大橋)
- Guizhou Jinzhou Grand Bridge\* (貴州金州大橋)
- Guijin Expressway Wujiang Grand Bridge\* (貴金高速烏江特大橋)
- Fulong Grand Bridge\* (富龍特大橋)
- Modaomen Xijiang Grand Bridge\* (磨刀門西江特大橋)
- Guangdong Jinhai Bridge\* (廣東金海大橋)
- Guangdong Hongqimen Grand Bridge\* (廣東洪齊門大橋)

## BUSINESS REVIEW (Continued)

### Prestressed Materials Business

For the Prestressed Materials Business, the Group has focused on the sale of rare earth coated prestressed products, plain surface prestressed products and galvanised prestressed products with specific focus on galvanised prestressed products. In order to capture the growing demand for galvanised prestressed products, the Group has continued to expand its production facility for the Prestressed Materials Business which is expected to be completed by the second half of 2022.

In addition, during the Reporting Period, the Group has successfully obtained 14 new patented technologies for the application of bridge cables, including a cable substructure with high temperature resistance\* (一種具有耐高溫防護性能的拉索下部結構) and 5 new patented technologies in relation to prestressed materials, including an automatic bundling device for prestressed steel strand\* (預應力絞線自動打捆裝置). During the Reporting Period, the Group had applied for registration of 12 patents which are pending approval.

### Awards and Recognitions

The Group received the following prizes and awards during the first half of 2022:

Awards	Granting Authority
2021 Major Tax Payer* (2021年度納稅大戶)	Cihu High-tech Industrial Development Zone Party Working Committee* (慈湖高新技術產業開發區黨工委) and Cihu High-tech Industrial Development Zone Management Committee* (慈湖高新技術產業開發區管委會)
2021 Top 20 Enterprises in Industrial Economy* (2021年度工業經濟二十強企業)	Cihu High-tech Industrial Development Zone Party Working Committee* (慈湖高新技術產業開發區黨工委) and Cihu High-tech Industrial Development Zone Management Committee* (慈湖高新技術產業開發區管委會)
Winner of the “Ankang Cup” Competition 2021* (2021年度「安康杯」競賽優勝單位)	Cihu High-tech Zone Federation of Trade Unions* (慈湖高新區總工會)

### Other Developments

The outbreak of the COVID-19 pandemic continued to cause delay to the progress of many bridge construction projects during the Reporting Period. While construction projects have gradually been resumed, the revenue of the Company was affected by the lockdown of Shanghai, the PRC from January 2022 to June 2022, particularly during the period from March 2022 to May 2022. The construction of our research and development centre in Zhejiang Province, the PRC and production facility in Jiujiang, Jiangxi Province, the PRC has also been further delayed.

In addition, the Group recognises the importance of environmental, social and governance (“ESG”) and have established a climate and sustainable development committee to oversee the implementation of the ESG policies of the Group. Focusing on scientific and technological innovation, the Group is committed to promoting green and low-carbon research and development. It seeks to shoulder social responsibilities and promote a win-win situation for corporate and social development.

## PERFORMANCE ANALYSIS AND DISCUSSION

### Revenue

	Unaudited Six months ended 30 June			
	2022		2021	
	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Revenue</b>				
<b>Cable Business:</b>				
Suspension cables projects	175,125	17.1	350,386	36.8
Stay cables projects	337,587	32.8	153,853	16.2
Others-installation projects	1,495	0.1	7,411	0.8
Others-sale of scrap materials	727	0.1	780	0.1
	<u>514,934</u>	<u>50.1</u>	<u>512,430</u>	<u>53.9</u>
<b>Prestressed Materials Business:</b>				
Plain surface prestressed products	2,750	0.3	10,951	1.2
Rare earth prestressed products	382,572	37.2	349,284	36.7
Galvanised prestressed products	124,609	12.1	73,966	7.8
Other steel materials	3,401	0.3	5,534	0.6
	<u>513,332</u>	<u>49.9</u>	<u>439,735</u>	<u>46.1</u>
	<u>1,028,266</u>	<u>100.0</u>	<u>952,165</u>	<u>100.0</u>

## PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

### Revenue (Continued)

Revenue generated from the Cable Business increased by 0.5% from RMB512.4 million in the first half of 2021 to RMB514.9 million in the first half of 2022, mainly attributable to the increase in sales of stay cables.

Revenue generated from the Prestressed Materials Business also increased by 16.8% from RMB439.7 million in the first half of 2021 to RMB513.4 million in the first half of 2022, mainly attributable to the increase in sales of galvanised steel wires and rare earth coated prestressed products.

### Gross profit and gross profit margin

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

	Unaudited six months ended 30 June			
	2022		2021	
	Gross Profit RMB'000	Gross Profit Margin %	Gross Profit RMB'000	Gross Profit Margin %
Cable Business	176,966	34.4	178,021	34.7
Prestressed Materials Business	53,245	10.4	83,724	19.0
Total	230,211	22.4	261,745	27.5

Gross profit decreased by 12.0% from RMB261.7 million in the first half of 2021 to RMB230.2 million in the first half of 2022.

Overall gross profit margin decreased from 27.5% in the first half of 2021 to 22.4% in the first half of 2022, which was primarily due to the decrease in gross profit margin of the Prestressed Materials Business. Despite a slight increase in revenue generated from the Cable Business, the gross profit margin for the Cable Business remained stable with a slight drop from 34.7% in the first half of 2021 to 34.4% in the first half of 2022 due to a slight increase in cost of sales. The gross profit margin for the Prestressed Materials Business decreased from 19.0% in the first half of 2021 to 10.4% in the first half of 2022 due to the increase in cost of sales as a result of ongoing relocation of the production facilities that certain production processes had to be temporarily subcontracted leading to a temporary increase in cost of sales.

### Impairment loss (recognised)/reversed on trade and retention receivables

Additional provision for impairment loss recognised on trade and retention receivables amounted to RMB32.4 million in the first half of 2022, compared to an impairment loss reversed on trade and retention receivables of RMB3.5 million in the first half of 2021. The additional provision is primarily due to the prolonged ageing profiles of certain trade and retention receivables items caused by the COVID-19 pandemic and the Group did not have any realised bad debts during the Reporting Period.



## PERFORMANCE ANALYSIS AND DISCUSSION (Continued)

### Selling and distribution costs

Selling and distribution costs of the Group decreased significantly by 49.5% from RMB21.0 million in the first half of 2021 to RMB10.6 million in the first half of 2022. The decrease in selling and distribution costs was mainly attributable to the decrease in freight and travel expenses for overseas projects.

### General and administrative expenses

General and administrative expenses of the Group decreased by 40.9% from RMB35.7 million in the first half of 2021 to RMB21.1 million in the first half of 2022. The decrease was mainly attributable to the decrease in office expenses during the COVID-19 pandemic, and the decrease in professional fees incurred. Also, the general and administrative expenses were higher in the first half of 2021 compared to that in the Reporting Period as additional expenses were incurred in relation to the privatisation of Ossen Innovation Co., Ltd. in the first half of 2021.

### Research and development expenses

Research and development expenses decreased by 5.7% from RMB41.9 million in the first half of 2021 to RMB39.5 million in the Reporting Period. This decrease was primarily attributable to the reduction in research activities due to the COVID-19 pandemic and the relocation of the production facility in Jiujiang, Jiangxi Province, the PRC.

### Finance costs

Finance costs increased significantly by 53.7% from RMB50.1 million in the first half of 2021 to RMB77.0 million in the first half of 2022. This increase was primarily attributable to the increase in bank borrowings and bills payables.

### Share of losses of associates

Share of loss of associates increased significantly by 322.2% from a loss of RMB1.8 million in the first half of 2021 to a loss of RMB7.6 million in the first half of 2022 mainly due to higher losses incurred by Shanghai International Superconducting Technology Co., Ltd.\* (上海國際超導科技有限公司) (“Shanghai International Superconducting”). Shanghai International Superconducting is still in early commercialisation stage and the COVID-19 pandemic caused further disruption to its operations. As the COVID-19 pandemic stabilises, it is expected that the market development and research and development of high temperature superconductivity technology will progress further.

### Income tax expenses

Income tax expenses decreased significantly by 70.3% from RMB23.2 million in the first half of 2021 to RMB6.9 million in the first half of 2022. This decrease was mainly due to the drop in profit before income tax expenses.

### Profit for the Reporting Period

As a result of the foregoing, the Group recorded a net profit of RMB75.7 million in the first half of 2022, representing a decrease of 22.7% as compared to RMB97.9 million in the first half of 2021.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Working Capital

The Group's operations are working capital intensive due to the nature of the industry, which is inherent in the Group's business model. The Group utilises a significant amount of working capital for upfront prepayment to its suppliers to procure raw materials for the products and to provide deposit guarantees (in terms of tender and performance bonds) for the Cable Business. During the Reporting Period, the Group mainly funded the cash requirements through a combination of bank borrowings, cash and cash equivalents, banking credit facilities and net cash flows from operating activities. Going forward, in order to fund the Group's increasing working capital needs due to business expansion and the future plans (including capital expenditure for the construction of production facility in Jiujiang, Jiangxi Province, the PRC and the research and development centre for Cable Business) as disclosed in the section headed "Use of Proceeds", the Group will continue to fund its cash requirements using a combination of banking credit facilities, net cash flows from operating activities and other financial instruments which will be available for drawdown within a short period of time.

As at 30 June 2022, the Group recorded net current assets amounting to RMB1,807.8 million (31 December 2021: RMB1,724.0 million). As at 30 June 2022, the cash and cash equivalents of the Group amounted to RMB348.1 million (31 December 2021: RMB373.0 million).

### Cash flows

#### *Cash flows from operating activities*

For the six months ended 30 June 2022, the Group's net cash generated from operating activities was RMB195.0 million (excluding income tax paid of RMB8.9 million), while profit before income tax was RMB82.6 million. Changes in working capital consisted mainly of (i) a decrease of RMB103.2 million in prepayments, deposits and other receivables for procuring raw materials for upcoming bridge cable projects and to secure favourable treatment in terms of supply of raw materials; (ii) an increase of RMB59.8 million in inventories for the production of upcoming bridge projects; (iii) an increase of RMB300.1 million in trade and bills payables due to the increase in bills payables to enjoy longer credit period; and (iv) increase in other payables and accruals of RMB21.3 million.

#### *Cash flows from investing activities*

For the six months ended 30 June 2022, the Group's net cash used in investing activities was RMB131.3 million. This consisted mainly of purchases of property, plant and equipment for the expansion of production facility and research centre and release of restricted bank deposits.

#### *Cash flows from financing activities*

For the six months ended 30 June 2022, the Group's net cash used in financing activities was RMB89.1 million. This consisted mainly of the repayment of bank borrowings and interest paid.



## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES** (Continued)

### **Bank and other borrowings**

As at 30 June 2022, the outstanding bank and other borrowings of the Group were RMB2,052.4 million (31 December 2021: RMB2,018.7 million) which were mainly denominated in RMB and USD. The current ratio (calculated by dividing total current assets by total current liabilities) as at 30 June 2022, was 1.56 (31 December 2021: 1.57). The current ratio remained stable with a slight drop due to the concurrent increase in trade and retention receivables and restricted bank deposits and the increase in trade and bills payables, contract liabilities and other payables and accruals. Details of bank and other borrowings are set out in note 19 to the unaudited interim condensed consolidated financial statements. The gearing ratio was 60.71% as at 30 June 2022, which is calculated using total debt divided by total capital plus total debt.

### **Charge on assets**

As at 30 June 2022, bank and other borrowings of approximately RMB2,052.4 million (31 December 2021: RMB2,018.7 million) were secured by pledge of the Group's certain assets including certain buildings, leasehold improvement and machineries included in property, plant and equipment, trade and retention receivables, personal guarantees given by the Director(s) and certain subsidiary of the Company and/or corporate guarantees from independent third parties and certain subsidiary of the Company.

### **Contingent liabilities**

As at 30 June 2022, the Group did not have any significant contingent liabilities.

### **Capital structure**

As at 30 June 2022, the total share capital of the Company was RMB7,138,000, divided into 811,044,000 shares of the Company of nominal value of HK\$0.01 each.

### **Funding and treasury policy and foreign exchange risk**

The Group adopts a prudent funding and treasury policy. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. As at 30 June 2022, except for certain amount of interest-bearing bank borrowings denominated in foreign currency, the Group does not have significant foreign currency exposure from its operations. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## USE OF PROCEEDS

The aggregate net proceeds raised by the Company from the Listing were RMB451.9 million. The proceeds from the Listing were used and are proposed to be used according to the intentions previously disclosed in the prospectus of the Company dated 17 May 2019 (the “Prospectus”). The following table set forth the Group’s intended timetable for use of proceeds from the Listing as of 30 June 2022.

Business objectives as stated in the Prospectus	Percentage of proceeds as stated in the Prospectus <sup>Note 1</sup>	Use of proceeds adjusted according to the actual net proceeds from the Listing	Unutilised amount as of 31 December 2021 (RMB million)	Utilised amount for the six months ended 30 June 2022	Unutilised amount as of 30 June 2022	Expected timeline of full utilisation of the remaining balance
Repayment of banking facilities <sup>Note 2</sup>	27.2%	122.8	–	–	–	–
Acquisition of business <sup>Note 3</sup>	24.2%	109.4	109.4	–	109.4	2022 – 2023
Expansion of production facility for Prestressed Materials Business <sup>Note 4</sup>	21.1%	95.5	23.2	15.6	7.6	Second half of 2022
Expansion of research and development centre for Cable Business <sup>Note 5</sup>	13.4%	60.4	20.6	7.8	12.8	Second half of 2022
Working capital	9.6%	43.4	–	–	–	–
Purchase of additional production equipment and environmental protection facilities <sup>Note 6</sup>	4.5%	20.4	9.5	6.2	3.3	Second half of 2022
<b>Total</b>	<b>100%</b>	<b>451.9</b>	<b>162.7</b>	<b>29.6</b>	<b>133.1</b>	

### Notes:

- The percentage (except for the repayment of banking facilities) were adjusted on a pro rata basis based on the percentage as disclosed in the Prospectus.
- The repayment of banking facilities of RMB122.8 million was made pursuant to the irrevocable instruction to repay part of a loan. Please refer to the section headed “Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial Independence” in the Prospectus for details. As of the date of this report, the full amount of RMB122.8 million has been applied.
- As of the date of this report, the Company has yet to identify an acquisition target. Due to the COVID-19 pandemic situation in the PRC and in particular, a series of prevention measures adopted in various areas of the PRC to prevent the spread of COVID-19, the business performance of potential acquisition targets have been further affected. As a result, the expected timeline of full utilisation of the remaining balance for acquisition of business is expected to delay further from the second half of 2022 to the period between 2022 to 2023. The Company will continue to look for acquisition target(s) that would be beneficial to the Group and will comply in full with all applicable Listing Rules and requirements in due course when any acquisition is undertaken.
- As of the date of this report, the production facility in Jiujiang, Jiangxi Province, the PRC is under construction. The schedule was delayed due to the COVID-19 pandemic situation in the PRC.
- As of the date of this report, the research and development centre is under construction. The schedule was delayed due to the COVID-19 pandemic situation in the PRC.
- As at the date of this report, the Company has started its procurement of production equipment and environmental protection equipment. The schedule was delayed due to the COVID-19 pandemic situation in the PRC.



## INTERIM DIVIDEND

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

## OUTLOOK AND FUTURE PROSPECTS

As consumption in the PRC continues to weaken due to COVID-19 pandemic, investment in infrastructure development such as transportation, water, energy and technology has provided important support for economic growth. The PRC government has developed strategic plans to strengthen and accelerate infrastructure development in the PRC. As discussed during the 11th meeting of the Central Financial and Economic Commission\* (中央財經委員會), the PRC government will focus on accelerating infrastructure development by increasing investment, diversifying long-term financing and facilitating innovation and research and development. It was reported that provincial governments in the PRC have issued special treasury bonds with an aim to facilitate the development of transportation infrastructure, energy, ecological environmental protection, municipal and industrial park infrastructure. It is expected that proceeds from the issuance of special treasury bonds by the provincial governments of the PRC will provide source of funding for development of infrastructure in the PRC.

In the second half of 2022, the Group intends to leverage the PRC government's initiatives and the Group's advanced technologies and know-how in high-technology metallic materials and applications, to actively explore and seize opportunities in the domestic and overseas infrastructure markets and to enhance its market leadership. The Group will continue to utilise and enhance its upstream and downstream business capabilities within the Group and strengthen the connection between its galvanised prestressed products and bridge cables. The Group will also continue to explore opportunities for merger and acquisitions to increase its market share and pricing power.

Looking ahead, the Group will continue to solicit and understand the views of its various stakeholders to manage their expectations and address their concerns. The Group will also take the initiative to strengthen its management capabilities in respect of ESG issues, seek to balance the interest of its various stakeholders, shoulder social responsibilities and contribute to the sustainable development of society.

By Order of the Board

**Pujiang International Group Limited**

**Dr. Tang Liang**

*Chairman*

Hong Kong, 24 August 2022

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As of 30 June 2022, to the best of the Directors' knowledge, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") (including those they are taken or deemed to have under such provisions of the SFO) were as follows:

#### (i) Interest in shares of the Company

Name of the Directors	Capacity	Number of Shares interested <sup>(1)</sup>	Approximate shareholding percentage <sup>(6)</sup>
Dr. Tang Liang ("Dr. Tang")	Interest of a controlled corporation	553,542,064 (L) <sup>(2)</sup>	68.25%
Mr. Ni Xiaofeng	Beneficial owner	1,300,000 (L) <sup>(3)</sup>	0.16%
Mr. Zhou Xufeng	Beneficial owner	2,520,000 (L) <sup>(4)</sup>	0.31%
Mr. Hua Wei	Beneficial owner	7,800,000 (L) <sup>(5)</sup>	0.96%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.
2. The 553,542,064 Shares are held by Elegant Kindness Limited ("Elegant Kindness") which is in turn wholly owned by Dr. Tang. Dr. Tang is deemed or taken to be interested in all the Shares held by Elegant Kindness for the purposes of SFO.
3. The 1,300,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
4. The 2,520,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
5. The 7,800,000 Shares represents the number of Shares to be issued upon exercise in full of all the options granted under the Share Option Scheme. Details of the share options held by the Directors are shown in the section of "Share Option Scheme".
6. The calculation is based on the total number of 811,044,000 Shares in issue as at 30 June 2022.

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

### (ii) Interest in shares of associated corporations of the Company

Name of Director	Name of associated corporations	Capacity	Number of shares in the associated corporation	Approximate shareholding percentage
Dr. Tang	Elegant Kindness	Beneficial owner	50,000	100%
	Shanghai Xiong Ao Investment Co., Ltd.	Beneficial owner	4,999,995	1%
	Shanghai Pujiang Cable Co., Ltd.	Beneficial owner	2,500,000	0.5%
	Shanghai Push Medical Device Technology Co., LTD	Beneficial owner	21,000,000	37.33%

Save as disclosed above, as of 30 June 2022, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As of 30 June 2022, to the best of the Directors' knowledge, the following person (not being the Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Nature of interest	Number of Shares interested <sup>(1)</sup>	Approximate shareholding percentage <sup>(4)</sup>
Elegant Kindness	Beneficial owner	553,542,064 (L)	68.25%
China Merchants Bank Co., Ltd <sup>(2)</sup>	Interest of controlled corporation	200,000,000 (L)	24.66%
CMB International Finance Limited <sup>(2)</sup>	Security interest in shares	200,000,000 (L)	24.66%
China Silver Asset Management Limited	Investment manager	81,126,000 (L)	10.0%
China Silver Asset Management LLC	Investment manager	78,231,000 (L)	9.65%
CS Asia Opportunities Master Fund	Beneficial owner	78,231,000 (L)	9.65%
UBS Group AG <sup>(3)</sup>	Interest of controlled corporation	61,473,000 (L) 23,766,172(S)	7.58% 2.93%

Notes:

- The letter "L" denotes the entity/person's long position in the Shares and the letter "S" denotes the entity/person's short position in the Shares.
- CMB International Finance Limited is directly controlled by China Merchants Bank Co., Ltd. and therefore China Merchants Bank Co., Ltd is deemed to be interested in the security interest over the Shares held by CMB International Finance Limited.
- UBS AG is directly controlled by UBS Group AG and therefore UBS Group AG is deemed to be interested in the interest over the Shares held by UBS AG. Interest in shares as security to a person other than a qualified lender.
- The calculation is based on the total number of 811,044,000 Shares in issue as at 30 June 2022.

Save as disclosed above, and as of 30 June 2022, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.



## SHARE OPTION SCHEME

The Group has adopted a share option scheme (the “Scheme”) pursuant to the shareholders’ written resolution passed on 24 April 2019. As of 30 June 2022, an aggregate of 42,000,000 share options were granted under the Scheme.

### 1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme was to provide incentives or rewards to certain eligible persons for their contribution to the growth of the Group or any entity in which the Group holds any equity interests (“Invested Entity”) and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

### 2. Participants of the Share Option Scheme and the basis of determining the eligibility of the Participants

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: (i) any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of the Group and any Invested Entity; (ii) any non-executive Director (including independent non-executive Directors) of the Group or any Invested Entity; (iii) any supplier of goods or services to any member of the 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 the Group or any Invested Entity; and (vi) any direct or indirect Shareholder of the Group or any Invested Entity (collectively the “Participants”), 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 Hong Kong Stock Exchange or an integral multiple thereof, as the Board may determine at a price calculated in accordance with Share Option Scheme.

### 3. Maximum number of Shares

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 as at the Listing Date (the “Scheme Mandate Limit”) unless the Company seeks the approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit in accordance with the Share Option Scheme. 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.

The Company may at any time refresh such limit, subject to compliance with the Listing Rules, provided that the total 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 scheme of the Company does not exceed 30% of the Shares in issue from time to time.

## **SHARE OPTION SCHEME** (Continued)

### **4. Maximum entitlement of each participant**

Unless approved by the Shareholders in the manner set out in the Share Option Scheme, 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.

### **5. Offer period**

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.

### **6. Subscription price**

The subscription price for Shares in respect of any option granted under the Share Option Scheme shall be such price as 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 Hong Kong 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 Hong Kong 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 Hong Kong 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.

### **7. Remaining life of the Share Option Scheme**

Subject to the fulfilment of the conditions of the Share Option Scheme and the earlier termination by Shareholders, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 28 May 2019, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

### **8. Total number of shares available for issue under the scheme and percentage of issued Shares as at the date of this report**

The total number of shares of the Company available for issue under the Share Option Scheme was 80,000,000 Shares representing approximately 9.86% of the total number of Shares as at the date of this report.

## SHARE OPTION SCHEME (Continued)

Details of the movement in options granted under the Scheme during the Reporting Period were as follows:

Grantee	Date of grant	Number of share options				As at 30 June 2022	Exercise period	Exercise price per share
		As at 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period			
<b>Director</b>								
Mr. Hua Wei	3 June 2019	1,950,000	–	–	–	1,950,000	3 June 2022 to 2 June 2029	HK\$2.80
		1,950,000				1,950,000	3 December 2022 to 2 June 2029	HK\$2.80
		1,950,000				1,950,000	3 June 2023 to 2 June 2029	HK\$2.80
		1,950,000				1,950,000	3 December 2023 to 2 June 2029	HK\$2.80
Mr. Zhou Xufeng	3 June 2019	630,000	–	–	–	630,000	3 June 2022 to 2 June 2029	HK\$2.80
		630,000				630,000	3 December 2022 to 2 June 2029	HK\$2.80
		630,000				630,000	3 June 2023 to 2 June 2029	HK\$2.80
		630,000				630,000	3 December 2023 to 2 June 2029	HK\$2.80
Mr. Ni Xiaofeng	3 June 2019	325,000	–	–	–	325,000	3 June 2022 to 2 June 2029	HK\$2.80
		325,000				325,000	3 December 2022 to 2 June 2029	HK\$2.80
		325,000				325,000	3 June 2023 to 2 June 2029	HK\$2.80
		325,000				325,000	3 December 2023 to 2 June 2029	HK\$2.80

## SHARE OPTION SCHEME (Continued)

Grantee	Date of grant	Number of share options				As at 30 June 2022	Exercise period	Exercise price per share
		As at 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ cancelled during the Reporting Period			
<b>Others</b>								
18 grantees, which are existing employees of the Group	3 June 2019	5,095,000	-	-	630,000	4,465,000	3 June 2022 to 2 June 2029	HK\$2.80
		5,095,000			630,000	4,465,000	3 December 2022 to 2 June 2029	HK\$2.80
		5,095,000			630,000	4,465,000	3 June 2023 to 2 June 2029	HK\$2.80
		5,095,000			630,000	4,465,000	3 December 2023 to 2 June 2029	HK\$2.80
	23 October 2019	2,500,000	-	-	2,500,000	-	23 October 2022 to 22 October 2029	HK\$4.092
		2,500,000			2,500,000	-	23 April 2023 to 22 October 2029	HK\$4.092
		2,500,000			2,500,000	-	23 October 2023 to 22 October 2029	HK\$4.092
		2,500,000			2,500,000	-	23 April 2024 to 22 October 2029	HK\$4.092
		<u>42,000,000</u>	<u>-</u>	<u>-</u>	<u>12,520,000</u>	<u>29,480,000</u>		

Save as disclosed, none of the share options granted under the Scheme were exercised, cancelled or lapsed during the Reporting Period. Please refer to note 21 to the unaudited interim condensed consolidated financial statements for further details.



## EVENTS AFTER THE REPORTING PERIOD

On 29 July 2022, (i) the Company, as borrower, entered into a facility agreement (the “Facility Agreement”) with two financial institutions as lenders (the “Lenders”) in relation to a term loan facility in an amount up to US\$50,000,000 (the “Loan Facility”); and (ii) Elegant Kindness, being the immediate controlling shareholder of the Company, executed a share charge, pursuant to which Elegant Kindness agreed to deposit 200,000,000 shares of the Company (the “Charged Shares”), into a securities account and charge the same in favour of CMB International Securities Limited, an affiliate of one of the Lenders. Please refer to the section headed “Continuing Disclosure Requirements Under Rule 13.21 of the Listing Rules” below for further details.

The Board has approved that the Company, together with Ossen Group Co. Limited and Dr. Tang Liang (together as “guarantors”), enter into a maximum value guarantee contract (最高額保證合同) with Agricultural Bank of China Shanghai Branch (“ABC”) in which the guarantors provide a guarantee with a maximum value of RMB675 million to Shanghai Pujiang Cable Co., Limited (“SPCC”), a subsidiary of the Company, as security for credit extended from ABC to SPCC.

Save as disclosed above, there was no other significant events occurred subsequent to 30 June 2022 and up to the date of this report.

## EMPLOYMENT AND REMUNERATION POLICIES

As at 30 June 2022, the total number of employees of the Group was 427 (31 December 2021: 444). For the six months ended 30 June 2022, the staff cost recognised as expenses of the Group amounted to RMB27.4 million (30 June 2021: RMB27.1 million). The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group’s operations. For further details of the share option scheme adopted by the Group, please refer to section headed “Share Option Scheme” above.

The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge.

## MATERIAL ACQUISITIONS AND DISPOSAL AND SIGNIFICANT INVESTMENTS

During the Reporting Period, the Group did not have any material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries and associated companies, or significant investments.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the future plans set out in the section headed “Use of Proceeds” above, the Company has no plan for any material investments or additions of capital assets as at the date of this report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold nor redeemed any of the listed securities of the Company during the Reporting Period.

## **CHANGES TO DIRECTORS' INFORMATION**

The Directors confirm that there is no change in the information of the Directors during the Reporting Period and up to the date of this Report, that is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

## **CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES**

On 29 July 2022, the Company, as borrower, entered into the Facility Agreement with the Lenders in relation the Loan Facility. The Loan Facility will be made available to the Company for a term of 24 months after the first utilisation date and can be extended for a further 12 months subject to the terms of the Facility Agreement. The Loan Facility to be obtained under the Facility Agreement shall be used for the Company's general working capital and investment purposes.

Pursuant to the Facility Agreement and in order to secure the Company's obligations under the Facility Agreement and the other Finance Documents (as defined in the Facility Agreement), on even date, Elegant Kindness, being the immediate controlling shareholder of the Company, executed a share charge, pursuant to which Elegant Kindness agreed to deposit Charged Shares (subject to adjustment), into a securities account and charge the same in favour of CMB International Securities Limited, an affiliate of one of the Lenders. The Charged Shares represent 24.66% of the total issued shares of the Company as at the date of this report.

Each of Elegant Kindness and Dr. Tang, the chairman of the Board and the beneficial owner of Elegant Kindness, shall act as guarantors, to secure, among others, the due and punctual performance by the Company under the Facility Agreement and the other Finance Documents (as defined in the Facility Agreement). As at the date of this report, Dr. Tang, through Elegant Kindness, beneficially owns approximately 68.25% of the issued shares of the Company.

Pursuant to the terms of the Facility Agreement, if:

- (a) Dr. Tang ceases to control or beneficially, directly or indirectly, own at least 51% of the entire issued share capital of the Company; or
- (b) Dr. Tang ceases to control or directly legally and beneficially own the entire issued shares of Elegant Kindness; or
- (c) Elegant Kindness ceases to control or directly legally and beneficially own at least 51% of the issued share capital of the Company; or



## **CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES** (Continued)

- (d) Ossen Group Co., Limited (“Ossen HK”), a wholly-owned subsidiary of the Company and Dr. Tang cease to control or beneficially (directly or indirectly) own 99% and 1%, respectively, of the equity interest of Shanghai Xiong Ao Investment Co., Ltd (上海雄傲投資有限公司) (“Shanghai Xiong Ao”), a subsidiary of the Company; or
- (e) Shanghai Xiong Ao, Dr. Tang and Ossen HK cease to control or beneficially (directly or indirectly) own 98.5%, 0.5% and 1%, respectively, of the equity interest of Shanghai Pujiang Cable Co., Limited (上海浦江纜索股份有限公司), a subsidiary of the Company,

the commitments under the Facility Agreement shall be immediately cancelled in full and all amounts outstanding under the Facility Agreement and the Finance Documents (as defined in the Facility Agreement) shall become immediately due and payable. Please refer to the announcement of the Company dated 29 July 2022 for details.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2022 have been reviewed by the audit committee of the Company together with the management. The Audit Committee does not have any disagreement with any accounting treatment which had been adopted. In addition, the external auditor of the Company BDO Limited, has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

## **COMPLIANCE WITH THE CG CODE**

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in part 2 of Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code during the six months ended 30 June 2022 and up to the date of this report.

## **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Company by the Directors and the relevant employees of the Company. Specific enquiries have been made to all directors of the Company and all of them have confirmed that they have complied with the Model Code during the six months ended 30 June 2022.

\* For identification purpose only