PUJIANG INTERNATIONAL GROUP LIMITED

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)

PRELIMINARY UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	
	RMB'000	*RMB'000*	*Change*
	(Unaudited)	(Audited)	(%)
REVENUE	**1,812,415**	1,383,335	31.0
Gross profit	**456,098**	326,501	39.7
Profit for the year	**134,350**	148,598	-9.6
Profit for the year attributable to owners of the Company	**99,739**	115,851	-13.9
Diluted earnings per share	**0.1376**	0.1931	-28.7
Non-HKFRS Measure:			
Adjusted net profit *Note 1*	**194,187**	154,843	25.4
Adjusted net profit attributable to owners of the Company	**159,576**	122,096	30.7
Adjusted diluted earnings per share *Note 2*	**0.2202**	0.2035	8.2

Notes:

1. Adjusted net profit is calculated by adding back the one-off listing expenses and equity settled share-based payment to the profit for the year.

2. Adjusted diluted earnings per share is calculated by dividing adjusted net profit attributable to owners of the Company by the weighted average number of ordinary shares with the effect of dilution for the year. Please refer to note 14 of the notes to the unaudited consolidated financial statements for the calculation of the weighted average number of ordinary shares with the effect of dilution for the relevant year.

The board of directors (the "**Board**") of Pujiang International Group Limited (the "**Company**") hereby announce the preliminary unaudited annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 ("**Preliminary Annual Results**"), together with the comparative audited figures for the year ended 31 December 2018.

For the reasons explained in the section headed "Review of Unaudited Annual Results", the Preliminary Annual Results set forth in this announcement have not yet been agreed with the Company's auditors and the Preliminary Annual Results have been reviewed by the Company's audit committee ("**Audit Committee**").

The following is the Preliminary Annual Results of our Group as of and for the year ended 31 December 2019, together with a management's discussion and analysis of our Group's financial position and results of operations. The Preliminary Annual Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and has not been audited. Investors should bear in mind that the Preliminary Annual Results in this announcement may be subject to change.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December

		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
REVENUE	*6*	**1,812,415**	1,383,335
Cost of sales	*10*	**(1,356,317)**	(1,056,834)
Gross profit		**456,098**	326,501
Other income	*7*	**11,585**	11,508
Other gains and losses	*8*	**(17,804)**	(4,100)
Selling and distribution costs		**(29,867)**	(19,754)
General and administrative expenses		**(103,586)**	(33,321)
Research and development expenses		**(79,883)**	(53,725)
Finance costs	*9*	**(67,522)**	(54,658)
Share of loss from an associate		**(5)**	–
PROFIT BEFORE INCOME TAX	*10*	**169,016**	172,451
Income tax expenses	*12*	**(34,666)**	(23,853)
PROFIT FOR THE YEAR		**134,350**	148,598

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December

	Note	**2019** **RMB'000** **(Unaudited)**	2018 RMB'000 (Audited)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences related to translation of foreign operations		**4,072**	(14)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**4,072**	(14)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**138,422**	148,584
Profit for the year attributable to:			
Shareholders of the Company		**99,739**	115,851
Non-controlling interests		**34,611**	32,747
		134,350	148,598
Total comprehensive income attributable to:			
Shareholders of the Company		**103,069**	115,837
Non-controlling interests		**35,353**	32,747
		138,422	148,584
		RMB **(Unaudited)**	*RMB* (Audited)
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*14*		
Basic		**0.1390**	0.1931
Diluted		**0.1376**	0.1931

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December

	Note	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**119,107**	93,618
Prepaid land lease payments – non-current portion		**–**	28,465
Intangible assets		**–**	–
Interest in Associate		**103,995**	–
Deferred tax assets		**7,513**	6,027
Deposits		**136,735**	16,694
Total non-current assets		**367,350**	144,804
CURRENT ASSETS			
Inventories		**299,768**	176,693
Trade and retention receivables	*15*	**1,184,158**	803,198
Prepayments, deposits and other receivables		**1,259,084**	1,203,214
Financial assets at fair value through profit and loss		**88,597**	–
Prepaid land lease payments – current portion		**–**	762
Restricted bank deposits		**218,704**	131,653
Cash and cash equivalents		**307,638**	61,401
Total current assets		**3,357,949**	2,376,921
CURRENT LIABILITIES			
Trade and bills payables	*16*	**588,077**	400,249
Contract liabilities	*6*	**82,293**	46,298
Other payables and accruals		**72,897**	64,558
Bank borrowings		**904,306**	730,994
Amount due to a shareholder		**–**	18,730
Amount due to related companies		**104,000**	–
Income tax payable		**25,324**	15,631
Lease liabilities		**662**	–
Total current liabilities		**1,777,559**	1,276,460
NET CURRENT ASSETS		**1,580,390**	1,100,461
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,947,740**	1,245,265

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Year ended 31 December

	Note	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**1,712**	–
Bank borrowing		**42,500**	–
Total non-current liabilities		**44,212**	–
NET ASSETS		**1,903,528**	1,245,265
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Issued capital	*17*	**7,138**	1
Other reserves		**1,615,977**	1,000,204
		1,623,115	1,000,205
Non-controlling interests		**280,413**	245,060
TOTAL EQUITY		**1,903,528**	1,245,265

NOTES

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 customized prestressed steel materials and cables. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 28 May 2019.

2. BASIS OF PREPARATION

This financial information has been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). This 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.

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

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to: HKFRS 3, Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12, Income Taxes; and HKAS 23 Borrowing Costs

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

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

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease):

	RMB'000
Statement of financial position as at 1 January 2019	
Right-of-use assets presented in property, plant and equipment	32,235
Lease liabilities (non-current)	2,374
Lease liabilities (current)	633

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

Reconciliation of operating lease commitment to lease liabilities	*RMB'000*
Operating lease commitment as of 31 December 2018	3,616
Less: future interest expenses	609
Total lease liabilities as of 1 January 2019	3,007

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 5.94%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at depreciated cost. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group also has prepaid lease payments which previously were classified as financial lease under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those prepaid lease payments under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

5. SEGMENT INFORMATION

Operating segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. 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 2019 (unaudited)

	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	**883,523**	**928,892**	**–**	**1,812,415**	**–**	**1,812,415**
Segment profit/(loss) before income tax expenses	**134,755**	**98,246**	**–**	**233,001**	**(63,985)**	**169,016**

For the year ended 31 December 2018 (audited)

	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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Segment assets		
Cables	**2,090,992**	1,402,315
Prestressed steel materials	**1,172,961**	1,054,528
Segment assets	**3,263,953**	2,456,843
Unallocated	**461,346**	64,882
Total assets	**3,725,299**	2,521,725

	As at 31 December 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Segment liabilities		
Cables	**1,448,079**	975,245
Prestressed steel materials	**288,689**	275,126
Segment liabilities	**1,736,768**	1,250,371
Unallocated	**85,003**	26,089
Total liabilities	**1,821,771**	1,276,460

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

For the year ended 31 December 2019 (unaudited)

	Cables *RMB'000*	**Prestressed steel materials** *RMB'000*	**Segment total** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Interest income	**919**	**850**	**1,769**	**1,349**	**3,118**
Government grants	**4,291**	**2,558**	**6,849**	**–**	**6,849**
Finance costs	**52,380**	**15,134**	**67,514**	**8**	**67,522**
Income tax expenses	**21,618**	**13,048**	**34,666**	**–**	**34,666**
Depreciation of right-of-use assets	**855**	**617**	**1,472**	**–**	**1,472**
Share of loss of associate	**5**	**–**	**5**	**–**	**5**
Depreciation of property, plant and equipment	**5,023**	**3,558**	**8,581**	**–**	**8,581**
Impairment loss recognised on trade receivables and retention receivables	**9,266**	**2,275**	**11,541**	**–**	**11,541**
Impairment loss recognised on deposits and other receivables	**(540)**	**–**	**(540)**	**–**	**(540)**
Additions to non-current assets	**2,396**	**917**	**3,313**	**–**	**3,313**
Gain on disposal of property, plant and equipment	**6**	**–**	**6**	**–**	**6**

For the year ended 31 December 2018 (audited)

	Cables *RMB'000*	Prestressed steel materials *RMB'000*	Segment total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Interest income	4,168	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	–	3,195
Impairment loss (reversed)/recognised on deposits and other receivables	(897)	2	(895)	–	(895)
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 both years.

(e) **Information about major customers**

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Customer A[1]	**204,400**	*[2]

Notes:

1 Revenue from sales of prestressed steel materials.

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

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 principal activities of the Group are the manufacturing and sale of cables, customised prestressed steel materials and providing installation services for others.

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Manufacture, installation and sale of cables	**883,523**	518,797
Manufacture and sale of customised prestressed steel materials	**928,992**	864,538
	1,812,415	1,383,335

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

	As at 31 December 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Trade and retention receivables	**1,184,158**	803,198
Contract liabilities	**82,293**	46,298
	1,266,451	849,496

Details of contract liabilities

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

	As at 31 December 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Contract liabilities	**82,293**	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 period carried-forward contract liabilities.

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period		
Manufacture, installation and sale of cables	**17,026**	9,434
Manufacture and sale of customised prestressed steel materials	**470**	3,462
	17,496	12,896

Timing of revenue recognition

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

At a point in time

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Sales of customised prestressed steel materials and cables	**1,802,214**	1,371,757

Over time

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Provision of installation services	**10,201**	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 5.

Unsatisfied performance obligations

As at 31 December 2018 and 2019, the transaction price allocated to performance obligation that are unsatisfied (or partially unsatisfied) were approximately RMB323,014,000 and RMB689,156,000 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. OTHER INCOME

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Bank and other interest income	**3,118**	4,968
Government grants *(note i)*	**6,849**	6,423
Investment income *(note ii)*	**1,612**	–
Sundry income	**6**	117
	11,585	11,508

Notes:

(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.

(ii) Investment income mainly represent the dividend income received from the investment in financial instrument at fair value through profit or loss, which name as CEL Kaisa Dynamic Bond Feeder Fund.

8. OTHER GAINS AND LOSSES

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Exchange (losses)/gain, net	**(6,629)**	19
Gain/(Loss) on disposal of property, plant and equipment	**(6)**	(14)
Impairment loss recognised on trade and retention receivables	**(11,541)**	(3,915)
ECL recognised on deposits and other receivables	**540**	(190)
Gain on financial asset at fair value through profit or loss	**348**	–
Others	**(516)**	–
	(17,804)	(4,100)

9. FINANCE COSTS

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Interest on bank loans and other borrowings	**67,006**	54,658
Interest on lease liabilities	**146**	–
Handling fee	**370**	–
	67,522	54,658

10 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Cost of inventories sold *(note i)*	**1,356,317**	1,056,834
Auditor's remuneration	**654**	1,079
Minimum lease payments for lease previously classified as operating lease under HKAS17	**794**	755
Employee costs *(note 11)*	**79,762**	31,784
Equity settled share-based payment	**10,122**	–
Listing expenses – HKEX	**12,149**	6,245

Note:

(i) Cost of inventory sold for the year ended 31 December 2019 includes RMB40,846,000 (2018: 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.

11. EMPLOYEE COSTS

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	**33,051**	22,599
Contributions on defined contribution retirement plans	**5,883**	6,262
Other long-term employee benefits	**3,262**	2,923
Share-based payment expenses to employees – equity settled	**37,566**	–
	79,762	31,784

12. INCOME TAX EXPENSE

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Current tax – PRC Enterprise Income Tax (the "**PRC EIT**")		
– for the year	**37,512**	23,459
– (over)/under provision in respect of prior years	**(1,360)**	758
	36,152	24,217
Deferred tax		
– for the year	**(1,486)**	(364)
Income tax expense	**34,666**	23,853

13. DIVIDEND

No dividend has been paid or declared by the Company during 2018 and 2019.

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of RMB99,739,000 (2018: RMB115,851,000). The weighted average number of ordinary shares used for the purposes of calculating the basic earnings per share for the year ended 31 December 2019 includes the weighted average number of shares issued pursuant to the share offer of 717,771,067 shares. The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 has been determined based on the assumption that the share issuance of 168,760 shares and capitalisation issue of 559,831,240 shares are deemed to be effective on 1 January 2018.

(b) Diluted earnings per share

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company of RMB99,739,000 (2018: RMB115,851,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and diluted shares from share option scheme. No diluted earnings per share was presented as there were no potential ordinary shares in issue during the year ended 31 December 2018.

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

	For the year ended 31 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**99,739**	115,851

	Number of shares 2019	Number of shares 2018
Number of Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**717,771,067**	600,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share Option	**6,895,921**	N/A
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**724,666,988**	600,000,000

15. TRADE AND RETENTION RECEIVABLES

	As at 31 December 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Trade receivables	**1,125,781**	757,035
Retention receivables	**92,430**	68,675
Less: impairment loss on trade and retention receivables	**(34,053)**	(22,512)
	1,184,158	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 year end.

	As at 31 December 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Neither past due nor impaired	**430,524**	209,844
Less than 3 months past due	**221,571**	254,894
3 – 6 months past due	**202,121**	163,362
7 – 12 months past due	**121,883**	88,778
More than 1 year past due but less than 2 years past due	**163,714**	48,103
More than 2 years past due but less than 3 years past due	**25,701**	31,161
More than 3 years past due but less than 4 years past due	**17,270**	2,443
More than 4 years past due but less than 5 years past due	**1,374**	4,613
	1,184,158	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.

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 2019 *RMB'000* Unaudited	As at 31 December 2018 *RMB'000* Audited
Five largest customers	**372,593**	241,242

Movements in the impairment loss are as follows:

	As at 31 December 2019 *RMB'000* Unaudited	As at 31 December 2018 *RMB'000* Audited
Balance at beginning of the year	**22,512**	18,597
Impairment loss recognised on trade and retention receivables	**11,541**	3,915
	34,053	22,512

As 31 December 2018 and 2019, the Group's certain trade and retention receivables were pledged to secure banking facilities granted to the Group.

16. TRADE AND BILLS PAYABLES

	As at 31 December 2019 *RMB'000* Unaudited	As at 31 December 2018 *RMB'000* Audited
Trade payables	**188,357**	56,317
Bills payable	**399,720**	343,932
	588,077	400,249

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

	As at 31 December 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 3 months	**144,085**	37,247
Within 4 – 6 months	**16,012**	4,054
Within 7 – 12 months	**13,389**	8,851
More than 1 year but less than 2 years	**11,196**	3,131
More than 2 year but less than 3 years	**964**	417
More than 3 year but less than 4 years	**376**	305
More than 4 year but less than 5 years	**387**	187
Over 5 years	**1,948**	2,125
	188,357	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.

17. SHARE CAPITAL

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

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

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

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

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

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

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

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

Note (g): On 28 May 2019, the Company issued a total of 559,831,240 ordinary shares by way of capitalising an amount of HK$5,998,312.40 from the share premium account of the Company (the "**Capitalisation issue**") arising from global offering.

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

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

* Represents amount less than RMB1,000.

Review of Unaudited Annual Results

The Board wishes to emphasize that the Preliminary Annual Results of the Group set out above is extracted directly from the latest unaudited management accounts of the Group for the year ended 31 December 2019 and is subject to changes resulting from, among other things, (i) further review by the Company and relevant professional parties; (ii) the receipt of banking confirmations and other audit confirmations required to complete the audit procedures by the Company's auditor under the relevant audit standard; and (iii) any potential adjustments that might be proposed by the Company's auditor. Due to the COVID-19 pandemic in China, subsequent to the Chinese Lunar New Year, many cities have been under lockdown and facing travel and other restrictions in efforts to curb the spread of COVID-19. As a result, the progress of the auditor's audit field work, in particular in Shanghai, was suspended and affected. As of the date of this announcement, the audit evidence obtained in relation to prepayments, deposits and other receivables, trade and retention receivables, restricted bank deposits, cash and cash equivalents, trade payables, bank borrowings and other payables and accruals were insufficient for our auditor to agree with the issue of the Preliminary Annual Results in this announcement.

The preparation of the audited consolidated financial statements of the Group for the year ended 31 December 2019 is still in progress and the process of providing further or requisite information to the Company's auditors for them to perform and complete their audit procedures in respect of the consolidated financial statements of the Group for the year ended 31 December 2019 is still on-going. The Preliminary Annual Results of the Group is subject to change and has not been agreed, reviewed, audited or approved by the auditor of the Company as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

In order to keep the shareholders of the Company (the "**Shareholders**") and potential investors of the Company informed of the Group's business operation and financial position, the Board has set forth in this announcement the Preliminary Annual Results as extracted from the latest unaudited management accounts of the Group for the year ended 31 December 2019. The Directors confirmed that the Preliminary Annual Results were prepared on the same basis as used in the audited consolidated financial statements of the Group for the year ended and as of 31 December 2018. The Board cannot guarantee that the Preliminary Annual Results truly reflects the financial performance and position of the Group and such information might be misleading if any potential adjustments have not been taken into account. **Shareholders and potential investors of the Company are reminded not to rely on the Preliminary Annual Results and should exercise caution when dealing in the securities of the Company.**

Business Review

The Group is are the largest provider of bridge cables for the construction of super-long-span bridges in China and one of the leading prestressed materials manufacturers in China. The shares of the Company (the "**Shares**") were successfully listed on the Hong Kong Stock Exchange (the "**Listing**") on 28 May 2019 (the "**Listing Date**").

For the year ended 31 December 2019, we operated two main reporting business segments, namely, the business which manufactures and supplies cables for construction of bridges (the "**Cable Business**") and the business which manufactures and supplies prestressed materials for various infrastructure construction (the "**Prestressed Materials Business**"). For 2019, the total revenue of the Group amounted to RMB1,812.4 million, representing an increase of 31.0% as compared to last year. The revenue increase was mainly due to a 70.3% increase in sales from the Cable Business. We recorded profit of RMB134.4 million in 2019, representing a decrease of 9.6% as compared to 2018. This decrease was mainly due to the increase in one-off administrative expenses which included listing expenses and equity settled share-based payment. Our adjusted net profit (excluding the listing expenses and equity settled share-based payment of an aggregate amount of RMB59.8 million) for 2019 was RMB194.2 million, representing an increase of 25.4% as compared to 2018. Our gross profit margin has also improved as we have increased our sales of bridge cables which have a higher profit margin.

During 2019, we were awarded 83 new projects and had signed new contracts with a total contract value of approximately RMB1,005.9 million for the Cable Business. In terms of technology enhancement activities, as of 31 December 2019, we have obtained 13 new registered patents. We have also received the following prizes and awards during 2019:

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

Award	**Granting Authority**
Second Class Prize for Science and Technology Award (科學技術獎二等獎)	Shanghai Highway and Transportation Society
2018 Top 10 Enterprise of Transforming High New Technology research outcome (2018年度上海市高新科技成果轉化項目自主創新10強)	Shanghai Municipal Technology Enterprise Centre
Humen No. 2 Bridge Excellent Manufacturer (虎門二橋優秀製造商)	Guangdong Province Highway Construction Company, Humen No. 2 Bridge Branch

The following projects that the Group has participated were awarded the following during 2019:

Award	**Projects**
2018 – 2019 China Construction Engineering Luban Award (2018 – 2019中國建築工程魯班獎)	Aizhai bridge 矮寨特大懸索橋 Sunxi River Bridge 笋溪河特大橋

In 2019, we have completed 76 projects for the Cable Business. As of the date of this announcement, we have 40 on-going projects with a backlog amounting to RMB1,249.1 million[Note]. With the on-going projects in hand, including the Shenzhen-Zhongshan Link – Lingding Yang Bridge, the Oujang North Estuary Bridge in China and 1915 Canakkale Bridge in Turkey, we expect that our revenue from the Cable Business will continue to grow in the 2020. Below sets out some of the on-going projects for the Cable Business:

Note: Backlog refers to the outstanding contract value that remains to be delivered under the signed contracts under the Cable Business as at a certain date, assuming that the products will be delivered according to the terms of the contracts.

- 1915 Canakkale Bridge in Turkey
- Shenzhen-Zhongshan Link – Lingding Yang Bridge(深中通道伶仃洋大橋)
- Oujiang North Estuary Bridge in Zhejiang Province, China (甌江北口大橋)
- Jianyuan Highspeed Bridge in Yunnan Province, China (建元高速特大橋)
- Wujiang Bridge in Guizhou Province, China (烏江大橋)
- Fenglin Bridge in Guizhou Province, China (貴州峰林特大橋)
- Wujiagang Yangtze River Bridge in Hubei Province, China (伍家崗長江大橋)
- Chaohu Lake Bridge in Anhui Province, China (巢湖大橋)
- Taoyuan Jinsha River Bridge in Yunnan Province, China (濤源金沙江大橋)
- Lotus Bridge in Guangdong Province, China (蓮花大橋)

In 2019, we have focused on the production and sale of bridge cables, which generally have a higher profit margin compared to the Prestressed Materials Business. We plan to seize the growing opportunities in the infrastructure construction industry both in China and overseas, enhance the core competitiveness and profitability of the Group, and strengthen our market position in the growing infrastructure market. As one of the leading manufacturers in the markets that we operate in, we are prepared to capture growing market opportunities and strengthen our market position. In 2019, we have successfully developed a zinc-magnesium-alloy for the production of suspension cable, and due to this patented technology, we have successfully won the sales contract with an aggregate contract value of RMB400 million for the production of suspension cable for the Shenzhen-Zhongshan Link – Lingding Yang Bridge and the Fenglin Bridge in Guizhou Province in China. In addition, with our effort in the research and development in Cable Business, we will continue our research in smart cable and optic fibre cable with the use of big data technology in order to open up a new trajectory in the development of bridge cables.

For the Prestressed Materials Business, our revenue in this business segment continued to grow compared to 2018, and we have focused on the sales of rare earth coated prestressed products and galvanised prestressed products due to the high profit margin than plain surface prestressed products. In order to capture the growing demand of galvanised prestressed products, our plan to expand the production capacity for such products is underway.

In January 2020, we acquired a piece of land of approximately 63,000 sq. m for the construction site of the new production facility at Jiujiang, Jiangxi Province, and due to the delay caused by the COVID-19 pandemic, the Group is striving to commence the construction work in the second half of 2020, subject to the government's approval on the construction plan. As for the expansion of the Research and Development centre for the Cable Business ("**R&D Centre**"), due to delay in obtaining the relevant government's approvals in the planning and design of the R&D Centre, the Group is striving to commence construction work in the second half of 2020. However, the actual schedule of the above construction work may be delayed depending on the COVID-19 pandemic situation in China.

In addition, the Group continued to explore various investment opportunity that would be beneficial to the Shareholders. In August 2019, we entered into an equity transfer agreement to acquire 26% equity interest in Shanghai Push Medical Device Technology Co., Limited (now known as Shanghai Push Medical Device Co., Limited) ("**Shanghai Push**"). Shanghai Push is principally engaged in developing the technology of, manufacturing and sales of medical equipment, specializing in heart-related diseases, its products are marketed and sold under the PushMed® trademark. Shanghai Push was recognized as a High New Technology Enterprise in November 2018 and is anticipating for a listing application on the Science and Technology Innovation Board of Shanghai Stock Exchange (上海證券交易所科創板). The Board is positive towards the prospects of Shanghai Push and the Directors are of the view that the acquisition of Shanghai Push is an attractive investment which will provide satisfactory return to the Group.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

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

	2019		2018	
		% of total		*% of total*
	RMB'000	***revenue***	*RMB'000*	*revenue*
	(unaudited)		(audited)	
Cable Business:				
Suspension cable projects	**651,855**	**36%**	221,554	16%
Stay cable projects	**220,855**	**12%**	284,965	21%
Others – installation projects	**10,201**	**1%**	11,579	1%
Others – sale of scrap materials	**612**	**0%**	700	0%
	883,523	**49%**	518,797	38%
Prestressed Materials Business:				
Plain surface prestressed products	**19,485**	**1%**	31,917	2%
Rare earth coated prestressed products	**734,204**	**41%**	685,532	50%
Galvanised prestressed products	**149,275**	**8%**	142,274	10%
Other steel materials	**25,928**	**1%**	4,815	0%
	928,892	**51%**	864,538	62%
Total	**1,812,415**	**100%**	1,383,335	100%

Revenue increased by 31.0% from RMB1,383.3 million in 2018 to RMB1,812.4 million in 2019, mainly attributable to the increase in revenue from the Cable Business.

Revenue generated from the Cable Business increased by 70.3% from RMB518.8 million in 2018 to RMB883.5 million in 2019, mainly attributable to the 194.2% increase in sales to suspension cable projects from several high contract value projects in the Cable Business such as the 1915 Canakkale Bridge, Tiger Leaping Gorge Jinsha River Bridge and Taoyuan Jinsha River Bridge, and the increase in the number of bridge cable projects.

Revenue generated from the Prestressed Materials Business increased slightly by 7.4% from RMB864.5 million in 2018 to RMB928.9 million in 2019, mainly attributable to an increase in sales of rare earth coated prestressed products and galvanised prestressed products, partially offset by the decrease in plain surface prestressed products.

Gross profit and gross profit margin

Gross profit increased by 39.7% from RMB326.5 million in 2018 to RMB456.1 million in 2019.

Overall gross profit margin increased from 23.6% in 2018 to 25.2% in 2019, which was primarily due to an increase in sales from the Cable Business which have a higher profit margin. The gross profit margin for the Cable Business decreased from 36.8% in 2018 to 34.0% in 2019 due to a 20% increase in the price of major raw materials as compared to 2018. The gross profit margin for the Prestressed Materials Business increased from 15.7% in 2018 to 16.8% in 2019 mainly due to the increase in sales of rare earth coated prestressed products and galvanised prestressed products.

Distribution and selling expenses

Distribution and selling expenses of the Group increased by 51.2% from RMB19.8 million in 2018 to RMB29.9 million in 2019. The increase in selling and distribution expenses was mainly attributable to the increase in transportation expenses for delivery of bridge cables to customers due to increase in the number of bridge cables projects. Distribution and selling expenses accounted for 1.6% of the total sales revenue for 2019, which is similar to 2018.

General and administrative expenses

General and administrative expenses of the Group increased by 210.9% from RMB33.3 million in 2018 to RMB103.6 million in 2019. The increase in general and administrative expenses was mainly attributable to the one-off expenses incurred for the preparation and listing of the Shares on the Hong Kong Stock Exchange in May 2019 and the equity settled share-based payments for employee share options granted in June 2019 and October 2019.

Research and development expenses

Research and development expenses increased by 48.7% from RMB53.7 million in 2018 to RMB79.9 million in 2019. This increase was primarily attributable to an increase in additional resources to the research and development of new technologies relating to the Cable Business such as extending the lifespan of suspension cable required for the Fenglin Bridge in Guizhou Province and Shenzhen-Zhongshan Link – Lingding Yang Bridge and other cable advancement projects for potential tenders.

Finance costs

Finance costs increased by 23.5% from RMB54.7 million in 2018 to RMB67.5 million in 2019. This increase was primarily attributable to an increase in bank borrowings for working capital throughout the year.

Income Tax Expenses

Income tax expenses increased by 45.3% from RMB23.9 million in 2018 to RMB34.7 million in 2019. Our effective tax rate increased from 13.8% in 2018 to 20.5% in 2019. This increase was primarily attributable to non-deductible expenses for income tax purposes such as listing expenses for the listing of the Shares on the Hong Kong Stock Exchange and equity settled share-based payment. If these two non-deductible expenses items were eliminated, the effective tax rate would have an increase of 1.7% from 13.3% in 2018 to 15.1% in 2019.

Profit for the year

As a result of the foregoing, the Group recorded a net profit of RMB134.4 million in 2019, representing a decrease of 9.6% as compared to RMB148.6 million in 2018. Our adjusted net profit increased by 25.4% from RMB154.8 million in 2018 to RMB194.2 million in 2019. This increase was mainly due to an increase in gross profit as a result of increased sales of bridge cables from the Cable Business.

Adjusted net profit

To supplement our Preliminary Annual Results which are prepared and presented in accordance with the HKFRS, we present the adjusted net profit as an additional financial measure to eliminate the effect of equity settled share-based payment and listing expenses, in which our management does not consider them to be indicative of our operating performance. The terms "adjusted net profit" and "adjusted diluted earnings per share" are not defined under HKFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our profit for the years ended 31 December 2019 and 2018. We present the "adjusted net profit" and "adjusted diluted earnings per share" because they are used by our management to evaluate our operating performance. We also believe that this non-HKFRS measures provide useful information to investors and others in understanding and evaluating our annual results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

We compensate for these limitations by reconciling the financial measure to the nearest HKFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our adjusted net profit for the years ended 31 December 2019 and 2018 presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the years ended 31 December 2019 and 2018:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit for the year	**134,350**	148,598
Add:		
Equity settled share-based payment	**47,688**	–
Listing expenses – HKEx	**12,149**	6,245
Adjusted net profit	**194,187**	154,843
Adjusted net profit attributable to owners of the Company	**159,576**	122,096
Adjusted diluted earnings per share *(Note)*	**0.2202**	0.2035

Note: Adjusted diluted earnings per share is calculated by dividing adjusted net profit attributable to owners of the Company by the weighted average number of ordinary shares with the effect of dilution for the year. Please refer to note 14 of the notes to the unaudited consolidated financial statements for the calculation of the weighted average number of ordinary shares with the effect of dilution for the relevant year.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Working Capital

Our operations are working capital intensive due to the nature of our industry, which is inherent in our business model. 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 the Cable Business. In 2019, we mainly funded our cash requirements through a combination of cash and cash equivalents, banking credit facilities, net cash flows from operating activities and proceeds from the Listing. Going forward, in order to fund the Group's increasing working capital needs due to business expansion and the future plan (including capital expenditure for the construction of production facility in Jiujiang and the R&D Centre) 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, other financial instruments which will be available for drawdown within a short period of time, and proceeds from the Listing.

As at 31 December 2019, the Group recorded net current assets amounting to RMB1,580.4 million (31 December 2018: RMB1,100.5 million). As at 31 December 2019, the cash and cash equivalents of the Group amounted to RMB307.6 million (31 December 2018: RMB61.4 million). The current ratio (calculated by dividing total current assets by total current liabilities) as at 31 December 2019, was 1.89 (31 December 2018: 1.86). The increase in the current ratio was due to the increase in current assets as a result of the increase in cash and cash equivalents, partially offset by the increase in trade and bills payables and bank borrowings.

Bank Borrowings

As at 31 December 2019, the outstanding bank borrowings of the Group was RMB946.8 million (31 December 2018: RMB731.0 million). The increase in bank borrowings was due to increased working capital needs to support our growth, in particular prepayments to suppliers and tenders and performance bonds for projects under the Cable Business. The gearing ratio (calculated by dividing total debt by total equity) as at 31 December 2019, was 49.7% (31 December 2018: 58.7%).

Charge on Assets

As at 31 December 2019, leasehold land and buildings with carrying amount of approximately RMB59.2 million (31 December 2018: RMB62.1 million) have been pledged to secure a banking facility granted to the Group and bank deposits with RMB43.0 million have been pledged to secure a bank borrowing granted to the Group.

As at 31 December 2019, bank borrowings of approximately RMB946.8 million (31 December 2018: RMB731.0 million) were secured by pledge of the Group's certain assets including leasehold land or trade and retention receivables in certain subsidiaries or bank deposits.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities.

Capital structure

As at 31 December 2019, the total share capital of the Company was RMB7,138,000, divided into 811,044,000 Shares of nominal value of HK$0.01 each.

USE OF PROCEEDS

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

Business objectives as stated in the Prospectus	**Percentage of proceeds as stated in the Prospectus**[Note 1]	**Use of proceeds adjusted according to the actual net proceeds from the Listing** *(RMB million)*	**Actual use of proceeds from the Listing Date to the date of this announcement**
Repayment of banking facilities[Note 2]	27.2%	122.8	122.8
Acquisition of business	24.2%	109.4	–
Expansion of production facility for Prestressed Materials Business[Note 3]	21.1%	95.5	6.1
Expansion of research and development centre for Cable Business[Note 4]	13.4%	60.4	–
Purchase of additional production equipment and environmental protection facilities[Note 5]	4.5%	20.4	–
Working capital	9.6%	43.4	40
Total	100%	451.9	168.9

Notes:

1. The percentage (except for the repayment of banking facilities) were adjusted on a pro rata basis based on the percentage as disclosed in the prospectus of the Company dated 17 May 2019 (the "**Prospectus**").

2. The repayment of banking facilities of RMB122.8 million was made pursuant to the irrevocable instruction to repay part of a loan. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from our Controlling Shareholders — Financial Independence" in the Prospectus for details. As of the date of this announcement, the full amount of RMB122.8 million has been applied.

3. As of the date of this announcement, the Company has acquired the land site for the new production facility in Jiujiang, Jiangxi Province and substantially completed the preparation work of the new facility. The Group strives to commence the construction work in the second half of 2020, subject to the government's approval on the construction plan due to the delay caused by the COVID-19 pandemic. The actual timing of the construction schedule would depend on the COVID-19 pandemic situation in China.

4. As of the date of this announcement, the Company has obtained the construction approval from the relevant government authorities. The Group strives to commence the construction work of the R&D Centre in the second half of 2020, however, the actual timing of the construction schedule would depend on the COVID-19 pandemic situation in China.

5. As at the date of the announcement, the Company has started its preparation stage in the design of the environmental protection facilities and is pending for government approval on the design plan. The Group strives to commence the construction work in the second half of 2020, however, the actual timing of the construction schedule would depend on the COVID-19 pandemic situation in China.

OUTLOOK AND RECENT DEVELOPMENTS

To echo the "13th-Five Year Plan" promulgated by the People's Republic of China's government in 2017, in recent years, the government places great effort in boosting the investment in transportation infrastructure sector in order to accelerate economic cooperation between regions within China. In line with the plan, the government had also promulgated several directives in relation to the improvement of transportation infrastructure aiming at alleviating poverty in areas with extreme poverty by providing them better access to and from other regions. As such, the growth in the infrastructure construction industry in China is expected to remain strong.

Since December 2019, the National Development and Reform Commission has approved numerous infrastructure construction projects, amounting to approximately RMB270 billion, focusing on high speed rail, transportation infrastructure aiming at fostering communication and the mobility of people between cities and rural areas, in particular, the Western region, the Guangdong Province, Shandong Province, Hebei Province and Fujian Province.

Since the beginning of 2020 and up to early March 2020, due to the widespread of the COVID-19 pandemic in China, many cities imposed travel and work restrictions in efforts to curb the spread of COVID-19. As a result, our factories situated in Jiujiang, Maanshan and Xitang have been temporarily closed after the Chinese New Year holiday until mid-February 2020 for the Xitang site, and until the second week of March 2020 for the Jiujiang and Maanshan Site, and the supply of our raw materials has been affected in February 2020. However, as of the date of this announcement, the factories are fully operational.

Due to the travel and work restrictions in order to curb the widespread of COVID-19 in China since the end of January 2020, many cities in China were under lockdown. As a result, production and sales orders were delayed. Restrictions on the movement of people and goods currently remain in place in certain regions, which requires the Group to adapt certain of our sales and delivery processes. This may affect our overall financial performance in 2020 although we cannot quantify the overall impact for the time being. As the Company's business is closely connected with the infrastructure investment in China, the Group envisages that the government directives and policies would present new opportunities to the Company. In 2020, the Company intends to continue to expand the sales in the Cable Business as well as the sales in galvanised prestressed products. With the anticipated completion of the construction of new production facility in Jiujiang, Jiangxi Province in 2020, it is expected that the Company's business scale could be further increased, subject to any future developments relating to COVID-19 and its aftermath.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2019, the total number of employees in the Group was 461 (31 December 2018: 425). The remuneration packages of the employees of the Group are determined with reference to their role, position, experience and work performance.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND SIGNIFICANT INVESTMENTS

On 29 August 2019, the Group has entered into an equity transfer agreement with Ossen Group Co. Ltd for the acquisition of 26% equity interest in Shanghai Push. Please refer to the Company's announcement dated 30 August 2019 for details.

Save as disclosed above, the Group did not have any material investments or acquire any material capital assets, or make any material acquisitions or disposals of subsidiaries and associated companies, or significant investments for the year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement and 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 announcement.

EVENTS SUBSEQUENT TO 31 DECEMBER 2019

There was no other significant events occurred subsequent to 31 December 2019 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company since the Listing Date and up to 31 December 2019.

AUDIT COMMITTEE

The Preliminary Annual Results is unaudited and has not been reviewed by the external auditor of the Company. The Audit Committee has reviewed the Preliminary Annual Results and agreed to the accounting principles and practices adopted by the Company. The Audit Committee is of the view that the financial statements have been prepared in accordance with the applicable accounting standards and in compliance with the Listing Rules and relevant statutory provisions, and is satisfied that sufficient disclosure has been made.

DIVIDEND

The Board did not recommend any payment of final dividend for the year ended 31 December 2019 (2018: Nil).

ANNUAL GENERAL MEETING ("AGM")

It is proposed that the AGM of the Company will be held on 24 June 2020. The notice of AGM will be published on the websites of the Company (www.pji-group.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and sent to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 June 2020 to 24 June 2020, both days inclusive, during which period no transfer of Shares will be registered, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 18 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance. The shares of the Company were listed on the Hong Kong Stock Exchange on 28 May 2019. Therefore, the code provisions as set out in the CG Code were not applicable to the Company prior to the Listing Date. The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code throughout the period from the Listing Date up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions of the Company by the Directors and the relevant employees of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2019.

PUBLICATION OF AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

It is expected the Company will announce its audited financial results for the year ended 31 December 2019 no later than end of April 2020. The Company will publish further announcement(s) to inform Shareholders and potential investors of the Company any material developments in connection with the 2019 audited financial results as and when appropriate.

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

Hong Kong, 23 March 2020

As at the date of this announcement, the executive Directors are Dr. Tang Liang, Mr. Zhou Xufeng, Ms. Zhang Weiwen and Mr. Ni Xiaofeng, and the independent non-executive Directors are Ms. Pan Yingli, Mr. Chen Dewei and Mr. Zhang Bihong.