China Saftower International Holding Group Limited
中國蜀塔國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8623)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of China Saftower International Holding Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of the Directors (the "**Board**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 together with the comparative audited figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (restated)
Revenue	*3*	**244,688**	757,901
Cost of sales		**(244,317)**	(773,478)
Gross profit (loss)		**371**	(15,577)
Other income and gains	*4*	**8,615**	24,819
Selling and distribution expenses		**(1,916)**	(5,617)
Administrative and other expenses		**(42,408)**	(21,996)
Impairment losses on trade and other receivables, net		**(5,760)**	(2,934)
Impairment losses on property, plant and equipment		**(7,838)**	—
Impairment losses on goodwill		**(597)**	—
Finance costs	*5*	**(7,308)**	(10,695)
Loss before tax	*6*	**(56,841)**	(32,000)
Income tax (expenses) credit	*7*	**(3,744)**	6,357
Loss for the year		**(60,585)**	(25,643)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss			
Exchange differences on translation from functional currency to presentation currency		**(193)**	46
Total comprehensive expense for the year		**(60,778)**	(25,597)

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Loss for the year attributable to:			
Owners of the Company		**(60,044)**	(21,542)
Non-controlling interests		**(541)**	(4,101)
		(60,585)	(25,643)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(60,237)**	(21,496)
Non-controlling interests		**(541)**	(4,101)
		(60,778)	(25,597)
Loss per share attributable to owners of the Company			
Basic and diluted *(RMB cents)*	*9*	**(6.53)**	(2.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000 (restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**82,771**	137,587
Right-of-use assets		**16,963**	6,882
Goodwill		**—**	597
Intangible assets		**461**	443
Deferred tax assets		**9,919**	10,845
Deposits and prepayments	*11*	**29,255**	7,163
Total non-current assets		**139,369**	163,517
Current assets			
Inventories		**5,247**	18,219
Trade receivables	*10*	**143,028**	119,353
Prepayments, deposits and other receivables	*11*	**69,206**	90,602
Tax recoverables		**66**	66
Amount due from a shareholder		**150**	150
Restricted bank deposits		**374**	—
Bank balances and cash		**1,409**	703
Total current assets		**219,480**	229,093
Total assets		**358,849**	392,610
Current liabilities			
Contract liabilities		**2,816**	17,583
Trade and bills payables	*12*	**95,635**	53,900
Accruals and other payables		**65,360**	51,207
Amounts due to shareholders		**28,623**	12,643
Amount due to non-controlling interest		**—**	1,713
Borrowings	*13*	**68,518**	113,702
Lease liabilities		**2,366**	587
Deferred income		**368**	368
Total current liabilities		**263,686**	251,703
Net current liabilities		**(44,206)**	(22,610)
Total assets less current liabilities		**95,163**	140,907

	Notes	2023 RMB'000	2022 RMB'000 (restated)
Non-current liabilities			
Other payables		**1,850**	—
Borrowings	*13*	**9,580**	2,775
Lease liabilities		**8,145**	16
Deferred tax liabilities		**4,070**	1,252
Deferred income		**981**	1,349
Total non-current liabilities		**24,626**	5,392
Total liabilities		**288,312**	257,095
Net assets		**70,537**	135,515
EQUITY			
Share capital		**8,222**	8,222
Reserves		**40,377**	103,590
Equity attributable to owners of the Company		**48,599**	111,812
Non-controlling interests		**21,938**	23,703
Total equity		**70,537**	135,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 COMPANY INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2018. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and its principal place of business in the People's Republic of China (the "**PRC**") is at No. 9 Huaide Road, Sichuan-Zhejiang Cooperation Industrial Park, Guangyuan Economic and Technological Development Zone, Guangyuan, Sichuan Province, the PRC.

The Company is an investment holding company. Principal activities of the Company and its subsidiaries (the "**Group**") are manufacturing and sale of wires and cables and manufacturing sale of aluminium products in the PRC. Red Fly Investment Limited, which is wholly owned as to 80.79% by Dang Fei and 19.21% by Dang Jun ("**Controlling Shareholders**"), has 38.18% interest in the Company.

The shares of the Company have been listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The consolidated financial statements for the year ended 31 December 2023 were approved and authorised for issue by the board of directors of the Company on 28 March 2024.

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The details of the impacts on each financial statement line item and loss per share arising from the application of the amendments are set out under "Impacts of application of amendments to HKFRSs on the consolidated financial statements" in this Note. Comparative figures have been restated.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Impacts of application of Amendments to HKFRSs on the consolidated financial statements

The effects of the changes in accounting policies as a result of application of amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the consolidated statement of profit or loss and other comprehensive income and loss per share, are as follows:

For the year ended 31 December 2023

	Amendments to HKAS 12
	RMB'000
Impact on loss for the year	
Decrease in income tax credit	**(6)**
Net increase in loss for the year	**(6)**
Net increase in total comprehensive expense for the year	**(6)**
Increase in loss for the year attributable to:	
— Owners of the Company	**(6)**
— Non-controlling interests	**—**
	(6)
Increase in total comprehensive expense for the year attributable to:	
— Owners of the Company	**(6)**
— Non-controlling interests	**—**
	(6)

For the year ended 31 December 2022

	Amendments to HKAS 12 *RMB'000*
Impact on loss for the year	
Decrease in income tax credit	(15)
Net increase in loss for the year	(15)
Net increase in total comprehensive expense for the year	(15)
Increase in loss for the year attributable to:	
— Owners of the Company	(15)
— Non-controlling interests	—
	(15)
Increase in total comprehensive expense for the year attributable to:	
— Owners of the Company	(15)
— Non-controlling interests	—
	(15)

	Year ended 31/12/2023 *RMB cents*	Year ended 31/12/2022 *RMB cents*
Impact on basic loss per share		
Basic loss per share before adjustment	**(6.53)**	(2.34)
Net adjustments arising from change in accounting policy in relation to:		
— Deferred tax impact on leasing transactions	**—**	—
Reported basic loss per share	**(6.53)**	(2.34)
Impact on diluted loss per share		
Diluted loss per share before adjustment	**(6.53)**	(2.34)
Net adjustments arising from change in accounting policy in relation to:		
— Deferred tax impact on leasing transactions	**—**	—
Reported diluted loss per share	**(6.53)**	(2.34)

The effects of the changes in accounting policies as a result of application of amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* on the consolidated statement of financial position at the end of the immediately preceding financial year 31 December 2022 and the beginning of the comparative period, 1 January 2022, are as follows:

	31/12/2022 (Originally stated) *RMB'000*	Adjustment *RMB'000*	31/12/2022 (Restated) *RMB'000*
Deferred tax assets	10,707	138	10,845
Deferred tax liabilities	(1,120)	(132)	(1,252)
Total effects on net assets	135,509	6	135,515
Reserves	103,584	6	103,590
Total effects on equity	135,509	6	135,515

	01/01/2022 (Originally stated) *RMB'000*	Adjustment *RMB'000*	01/01/2022 (Restated) *RMB'000*
Deferred tax assets	4,442	629	5,071
Deferred tax liabilities	(1,227)	(608)	(1,835)
Total effects on net assets	161,091	21	161,112
Reserves	125,065	21	125,086
Total effects on equity	161,091	21	161,112

The effects of the changes in accounting policies on the consolidated statement of cash flows, are as follows:

	Year ended 31/12/2023 ***RMB'000***	Year ended 31/12/2022 *RMB'000*
OPERATING ACTIVITIES		
Increase in loss for the year	**(6)**	(15)
Impact of amendments to HKAS 12		
— Decrease in income tax credit	**6**	15
Net change in operating cash flows before movements in working capital and net cash from operating activities	**—**	—

2.2 Amendments to HKFRSs in issue but are not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the above amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3 REVENUE AND SEGMENT INFORMATION

SEGMENT INFORMATION

(a) Operating segments

During the year, the Group was principally engaged in manufacturing and sale of wires and cables and manufacturing and sale of aluminium products in the PRC. Information reported to the Group's CODM, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. For management purpose, the Group has only one operating segment which is the manufacturing and sale of wires and cables and manufacturing and sale of aluminium products. Accordingly, no operating segment information is presented.

(b) Geographic information

The Group's revenue was all derived from customers based in the PRC and all the Group's non-current assets are located in the PRC. Therefore, no geographical segment reporting is presented.

(c) Information about major customers

Revenue from customers for the year contributing over 10% of the total revenue of the Group is as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**N/A[1]**	120,030
Customer B	**N/A[1]**	81,415
Customer C	**56,292**	N/A[1]
Customer D	**49,584**	N/A[1]
Customer E	**48,070**	N/A[1]

(1) The corresponding revenue did not contribute over 10% revenue of the Group.

REVENUE

Revenue represents the amount received and receivable from manufacturing and sales of wires and cables and manufacturing and sales of aluminium products during the year:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Type of goods		
Manufacturing and sales of wires and cables, recognised at a point in time	**190,702**	366,834
Manufacturing and sales of aluminium products, recognised at a point in time	**53,986**	391,067
	244,688	757,901

The Group applies the practical expedient of not disclosing the transaction price allocated to remaining performance obligations that is part of a contract that has original expected duration of one year or less.

4 OTHER INCOME AND GAINS

	Note	**2023** **RMB'000**	2022 RMB'000
Other income			
Interest income from other receivables		**2,406**	2,418
Interest income from bank deposits		**58**	55
Interest income from rental deposits		**21**	—
Government grants and subsidies	*(i)*	**4,920**	15,809
Scrap sales		**—**	63
Rental income		**561**	346
Others		**590**	257
		8,556	18,948
Gains			
Gain on early termination of lease		**—**	136
Gain on derecognition of trade payables		**59**	4,013
Gain on disposal of property, plant and equipment		**—**	36
Net realised and unrealised gain on financial assets at fair value through profit and loss		**—**	1,520
Others		**—**	166
		59	5,871
		8,615	24,819

Note:

(i) The Group received government grants and subsidies in relation to the support of the Group's operations, purchase of plant and machinery and the reward of the employment of disabled people in the PRC. There were no unfulfilled conditions in relation to the grants and subsidies.

5 FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expenses on bank and other borrowings	**6,468**	10,219
Interest expenses on lease liabilities	**616**	76
Others	**224**	400
Finance expenses	**7,308**	10,695

6 LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories recognised as expense	**244,317**	773,478
Auditor's remuneration		
— Audit services	**795**	776
— Non-audit services	**—**	—
Research costs (other than amortisation costs)	**—**	809
Depreciation of property, plant and equipment	**8,971**	10,092
Depreciation of right-of-use assets	**2,903**	1,638
Loss on disposal of property, plant and equipment, net	**15,839**	—
Loss on disposal of intangible assets	**57**	189
Amortisation of intangible assets	**45**	42
Impairment losses on property, plant and equipment	**7,838**	—
Allowance for expected credit losses on trade receivables, net	**5,237**	2,699
Allowance for expected credit losses on other receivables, net	**524**	235
Written-off of property, plant and equipment	**1,148**	412
Employee costs (including directors' remuneration)		
— Wages, salaries and other benefits	**7,843**	12,139
— Contributions to defined contribution retirement plans	**1,757**	2,611
	9,600	14,750

7 INCOME TAX (EXPENSES) CREDIT

The income tax (expenses) credit in the consolidated statements of profit or loss and other comprehensive income during the year represents:

	2023	2022
	RMB'000	*RMB'000*
Current tax	**—**	—
Deferred tax	**(3,744)**	6,357
Income tax (expenses) credit	**(3,744)**	6,357

No Hong Kong profits tax was provided as the Group has no estimated assessable profit in Hong Kong during the years ended 31 December 2023 and 31 December 2022.

Provision for EIT in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the income tax laws and regulations applicable to the operating subsidiaries in the PRC except certain subsidiaries are entitled to preferential tax rate of 15% in the PRC as mentioned below.

Sichuan Saftower Industry Company Limited was approved as High and New Technology Enterprise by the PRC government, and accordingly, it was subject to a preferential EIT tax rate of 15% during the year ended 31 December 2022. In 2023, Sichuan Saftower Industry Company Limited was not qualified as High and New Technology Enterprise by the PRC government, and accordingly, it was subject to EIT tax rate of 25%.

Guangyuan Tongchuang New Materials Company Limited is subject to 10% income tax concession due to the preferential tax policy of the development of the western region of the PRC fulfilled for the years ended 31 December 2023 and 31 December 2022. According to "Announcement on Issues Concerning Continuation Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy" (《關於延續西部大開發企業所得稅政策的公告》) (Announcement No. 23 [2020] of the Ministry of Finance of the People's Republic of China) (財政部公告[2020]第23號), from 1 January 2021 to 31 December 2030, EIT imposed upon any enterprises established in western region of the PRC which are engaging in the encouraged industries shall be subject to a reduced rate at 15%.

8 DIVIDENDS

No dividend has been paid or declared by the Company during the year of 2023, nor has any dividend been proposed since the end of the year ended 31 December 2023 (2022: Nil).

9 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The basic loss per share attributable to owners of the Company for the year is calculated based on the loss attributable to owners of the Company of approximately RMB60,044,000 (2022: RMB21,542,000), and the weighted average number of ordinary shares of 920,000,000 in issue (2022: 920,000,000 shares). The Company did not have any potential dilutive shares for the years ended 31 December 2023 and 2022. Accordingly, the diluted loss per share are the same as the basic loss per share.

10 TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**156,510**	127,598
Less: Allowance for ECLs on trade receivables	**(13,482)**	(8,245)
	143,028	119,353

The credit period granted to customers is ranging from 0 to 365 days (2022: from 0 to 365 days) as at the end of the reporting period.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 60 days	**40,311**	7,474
61 to 180 days	**22,475**	18,387
181 to 365 days	**8,451**	17,953
Over 365 days	**85,273**	83,784
	156,510	127,598

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Non-current:		
Deposits *(Note (b))*	**29,109**	1,625
Prepayments	**146**	5,538
	29,255	7,163
Current:		
Prepayments	**388**	1,380
Prepayments to suppliers	**14,660**	24,681
Loan receivables *(Note (a))*	**31,039**	34,500
Deposits	**59**	170
VAT recoverable	**4,614**	17,699
Other receivables	**19,278**	12,480
Less: Allowance for ECLs on other receivables	**(832)**	(308)
	69,206	90,602
	98,461	97,765

(a) Pursuant to a loan agreement dated 5 March 2021 (the "**Guangyuan Shiyuanqu Loan Agreement**") entered into between one subsidiary of the Company, as lender, and Guangyuan Shiyuanqu Construction Investment Co., Ltd.* (廣元市園區建設投資有限公司) (the "**Guangyuan Shiyuanqu**"), a company established under the laws of PRC, as borrower, the subsidiary granted a loan in the principal amount of RMB34.0 million for a term of 28 months up to 4 July 2023 and with interest rate of 7.5% per annum (the "**Guangyuan Shiyuanqu Loan**"). Guangyuan Shiyuanqu is a state-owned enterprise established under the laws of PRC, the principal business of which is provision of municipal facilities as well as provision of construction and asset services. The terms of the Guangyuan Shiyuanqu Loan Agreement were arrived at by the subsidiary and Guangyuan Shiyuanqu after arm's length negotiations and are on normal commercial terms. Having considered (i) the potential strategic cooperation the parties may have, (ii) the interest income to be received by the subsidiary and (iii) the credential of the borrower along with its state-owned background, the Directors consider that the terms of the Guangyuan Shiyuanqu Loan Agreement are fair and reasonable and the granting of the Guangyuan Shiyuanqu Loan to Guangyuan Shiyuanqu is in the interest of the Company and the shareholders of the Company as a whole. As at 31 December 2023, the outstanding principal of this loan is RMB31,039,000 (2022: RMB34,000,000). As at the date of this announcement, the parties intend to extend the maturity date and are in the course of negotiating the details, however, no definitive agreement has been entered.

(b) During the year, the Group paid a deposit amounting to RMB28,003,000 (2022: Nil) for building a production line for the production of carbon nanotubes and auxiliary products of conductive agents.

* *English translation names are for identification purpose only*

12 TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**95,435**	53,900
Bills payables	**200**	—
	95,635	53,900

The credit period on purchases from suppliers is generally ranging from 0 to 120 days (2022: 0 to 120 days) as at the end of the reporting period.

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 to 60 days	**46,419**	24,807
61 to 180 days	**19,938**	7,931
181 to 365 days	**861**	9,093
Over 365 days	**28,217**	12,069
	95,435	53,900

13 BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Current:		
Secured and guaranteed interest-bearing bank borrowings repayable within one year	**51,248**	79,351
Secured and guaranteed interest-bearing other borrowings repayable within one year	**7,270**	14,966
Unsecured and unguaranteed interest-bearing other borrowings repayable within one year	**10,000**	18,000
Sale and leaseback liabilities	**—**	1,385
	68,518	113,702
Non-current:		
Secured and guaranteed interest-bearing bank borrowings repayable after one year	**2,400**	2,700
Secured and guaranteed interest-bearing other borrowings repayable after one year	**7,180**	—
Sale and leaseback liabilities	**—**	75
	9,580	2,775

Note:

As at 31 December 2023, the Group was in default in respect of principal amount of borrowings totaling approximately RMB50,999,000 due to the events of default of late or overdue payment of loan principal and interest during the year ended or as at 31 December 2023.

At the end of the reporting period, the Group's bank and other borrowings are scheduled to repay as follows:

	2023	2022
	RMB'000	*RMB'000*
On demand or within one year	**68,518**	112,317
More than one year, but not exceeding two years	**2,420**	2,700
More than two years, but not exceeding five years	**1,200**	—
More than five years	**5,960**	—
	78,098	115,017

At the end of the reporting period, the Group's sale and leaseback liabilities are scheduled to repay as follows:

	2023	2022
	RMB'000	*RMB'000*
On demand or within one year	**—**	1,385
More than one year, but not exceeding two years	**—**	75
	—	1,460

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 5 February 2024, the Group entered into an agreement with Guangxin Agriculture in Guangyuan City Finacing Guarantee Co. Ltd.* (廣元市廣信農業融資擔保股份有限公司) ("**Guangxin Agriculture**"), a company established under the laws of PRC, in relation to a loan with the principal amount of RMB4,378,000, repayable on 30 June 2027 and with interest rate of 6.9% per annum. The loan is unsecured but guaranteed by a shareholder of the Company.

(b) On 23 January 2024, one subsidiary of the Group entered into an agreement with a shareholder to borrow a loan with principal amount of RMB7,320,000 for a term of 14 months up to 28 February 2025 with interest rate of 12% per annum.

(c) On 31 January 2024, the Group reached an agreement with a bank to extend a loan with principal amount of RMB9,800,000, which was originally in default as at 31 December 2023. The loan is repayable on 31 October 2024 and bears interest at 8.5% per annum. No adjustments have been made to the consolidated financial statements as a result of this extension and therefore the loan is presented as a current liability as at 31 December 2023.

* *English translation names are for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

The Group is a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu and Guangyuan of Sichuan Province, the People's Republic of China (the "**PRC**"). The Group's products can be broadly classified into four categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; and (iv) other products, which comprise cable accessories. The Group's portfolio of finished wires and cable products comprises classic and special products. Apart from finished wires and cables, the Group also produces semi-finished wires comprising aluminium rods and bare copper wires to maximise the Group's market exposure and enlarge its market share.

During the year ended 31 December 2023 (the "**Year**") under review, the Group continued to engage in the manufacturing and sales of wires and cables and continued to serve a large number of customers, which are mainly power companies, manufacturing enterprises, construction and renovation companies as well as trading companies which purchase products from the Group for onward sale on their own accounts.

Our integrated production facilities in Chengdu and Guangyuan, strategically located in Sichuan Province, have been instrumental in our operational success. We have continued to invest in these facilities, ensuring they are equipped with state-of-the-art technologies and adhering to the highest quality standards. This has enabled us to maintain our position as a regional leader in the manufacturing and supply of wires and cables.

Recognizing the importance of innovation in a rapidly evolving industry, we have invested heavily in research and development. Our dedicated team of engineers and technicians has been instrumental in developing new and improved products that meet the ever-changing needs of our customers. We have introduced innovative solutions that offer enhanced performance, durability, and energy efficiency, positioning us as a preferred choice in the market.

As a responsible corporate citizen, we are committed to sustainable practices and minimizing our environmental impact. In 2023, we implemented several sustainability initiatives, including optimizing energy consumption, reducing waste generation, and promoting recycling efforts. We believe that these actions not only benefit the environment but also contribute to cost savings and long-term profitability.

While our financial results for 2023 were challenging, with a loss of RMB60.8 million, we have taken proactive steps to address the underlying issues. We conducted a thorough review of our assets and liabilities, leading to the recognition of impairments on PPE and trade receivables. These measures were necessary to ensure the accuracy and transparency of our financial statements. Moving forward, we remain focused on improving our financial performance and implementing cost optimization measures to drive profitability.

We recognize the importance of effective risk management in today's dynamic business landscape. We have strengthened our risk management processes and implemented robust internal controls to mitigate potential risks. Our goal is to enhance transparency, ensure compliance with regulations, and safeguard our company's assets and reputation.

PROSPECTS

Despite the challenges faced by manufacturers and suppliers of wires and cables in the PRC, there are also several factors that could help to sustain and grow the industry.

While we have faced challenges in the past year, we remain optimistic and confident about the opportunities that lie ahead. Here are some key areas where we see strong growth potential:

1. We are actively pursuing opportunities to expand our market presence domestically. Our robust product portfolio, combined with our reputation for quality and reliability, positions us well to capitalize on emerging market trends and customer demands. We will continue to strengthen our sales and marketing efforts, explore new distribution channels, and forge strategic partnerships to penetrate untapped markets and diversify our customer base.

2. Innovation continues to be a driving force in our industry, and we are committed to staying at the forefront of technological advancements. We will continue to invest in research and development, leveraging the expertise of our engineers and technicians to develop new and improved products. Our focus is on enhancing performance, durability, and energy efficiency to meet the evolving needs of our customers. By offering cutting-edge solutions, we aim to differentiate ourselves in the market and capture a larger share of the industry.

3. Sustainability and environmental, social, and governance (ESG) considerations are becoming increasingly important to stakeholders, including customers, investors, and regulatory bodies. We recognize the significance of responsible business practices and are committed to integrating sustainability into our operations. We will continue to optimize energy consumption, reduce waste generation, and promote recycling efforts. By prioritizing sustainability, we not only contribute to a better future but also enhance our reputation and attract environmentally conscious customers.

4. Improving operational efficiency remains a key focus for us. We will continue to streamline our processes, optimize our supply chain, and invest in automation and digitalization initiatives. These measures will help us reduce costs, enhance productivity, and improve overall operational performance. By implementing best practices and leveraging technology, we aim to drive profitability and strengthen our competitive position in the market.

5. We recognize the importance of effective risk management and robust corporate governance. We will continue to enhance our risk management framework, ensuring that potential risks and uncertainties are identified, assessed, and mitigated. Our commitment to strong governance practices and compliance with regulations will help us maintain the trust and confidence of our stakeholders and protect the long-term interests of our company.

FINANCIAL REVIEW

Revenue

The follow table sets forth the breakdown of our revenue derived from our major operating subsidiaries by key product types after elimination of intra-group transactions during the review periods:

For the year ended 31 December	Revenue		Gross profit (loss)		Gross profit (loss) margin	
	2023	2022	**2023**	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	**%**	%
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)		
Classic finished wires and cables						
Copper wires and cables	**954**	8,151	**60**	(885)	**6.3**	(10.9)
Aluminium wires and cables	**114,465**	140,426	**2,135**	674	**1.9**	0.5
Semi-finished wires						
Bare copper wires	**1,965**	24,015	**(14)**	30	**(0.7)**	0.1
Aluminium rods	**73,216**	38,624	**(590)**	390	**(0.8)**	1.0
Cast-rolled coil	**50,243**	543,986	**(1,049)**	(15,859)	**(2.1)**	(2.9)
Others	**3,845**	2,699	**(171)**	73	**(4.4)**	2.7
	244,688	757,901	**371**	(15,577)	**0.2**	(2.1)

During the year ended 31 December 2023, the Group generated its revenue mainly from the manufacturing and sales of wires and cables, sales of aluminium products and cast-rolled coil in the PRC. The Group recorded a turnover of approximately RMB244.7 million for the year ended 31 December 2023, representing an decrease of approximately 67.7% as compared with that in 2022, The decrease in revenue was mainly due to substantially decrease in sales of cast-rolled coil, of approximately RMB493.7 million comparing to last year.

Cost of sales

During the year ended 31 December 2023, the cost of sales of the Group mainly consists of (i) raw materials costs, (ii) aluminium products costs, and (iii) finished products from sub-contractors and depreciation and overhead. Cost of sales decreased from RMB773.5 million for the year ended 31 December 2022 to RMB244.3 million for the year ended 31 December 2023, representing an decrease of RMB529.2 million, or 68.4%. The decrease of cost of sales was following the trend of decrease in sales.

Gross profit/(loss) and gross profit/(loss) margin

For the year ended 31 December 2023, gross profit of approximately RMB0.4 million, with a gross profit margin of 0.2% was reported whereas gross loss of approximately RMB15.6 million was reported for the year ended 31 December 2022, with a gross loss margin of 2.1%.

The increase in gross profit margin during the Year under review was mainly due to the Group reduced the sales of cast-rolled coil which contributed significant gross loss during the year ended 31 December 2022.

Other income and gains

Other income and gains decreased from approximately RMB24.8 million for the year ended 31 December 2022 to approximately RMB8.6 million for the year ended 31 December 2023. The decrease is mainly due to the decrease of the government grants of approximately RMB10.9 million in relation to the support of the Group's operations, purchase of plant and machinery, the reward of the employment of disabled people in the PRC, the receipt of a value-added tax subsidy of 30% on products and labour services for comprehensive utilization of resources which was rerecorded in last year.

Selling and distribution expenses

The Group's selling and distribution expenses mainly consist of (i) transportation expenses, (ii) staff wages and benefits, and (iii) entertainment and travel expenses.

Selling and distribution expenses of the Group decreased by RMB3.7 million or 66.1% for the year ended 31 December 2023, which was following the trend of reduction in revenue.

Administrative and other expenses

The Group's administrative and other expenses mainly consist of (i) staff wages and benefits, (ii) depreciation of property, plant and equipment, (iii) legal and professional fees, and (iv) entertainment and travelling expenses.

Administrative and other expenses of the Group increased from RMB22.0 million for the year ended 31 December 2022 to RMB42.4 million for the year ended 31 December 2023, representing a increase of RMB20.4 million, or 92.7%. The increase was mainly due to the recognition of loss on disposal of property, plant and equipment of approximately RMB15.8 million during the year ended 31 December 2023 (2022: nil).

Finance costs

Finance costs of the Group had decreased from approximately RMB10.7 million for the year ended 31 December 2022 to approximately RMB7.3 million for the year ended 31 December 2023. The decrease in amount was mainly attributable to the decrease in the average utilisation of borrowings during the year ended 31 December 2023.

Income tax (expenses) credit

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising the Group domicile or operate. The Group's income tax (expenses) credit increased by approximately RMB10.1 million from income tax credit approximately RMB6.4 million for the year ended 31 December 2022 to income tax expenses approximately RMB3.7 million for the year ended 31 December 2023. The increase in income tax expenses was due to the recognition of over-provision of assessable loss for prior years as the management considered that it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

Loss for the year

As a result of the foregoing, the Group recorded a loss attributable to the owners of the Company amounted to approximately RMB60.2 million, as compared to the loss attributable to owners of the Company of approximately RMB21.5 million in the corresponding period in 2022. The Directors consider that the increase in net loss was mainly attributable to the increase of impairment losses on property, plant and equipment of approximately RMB7.8 million, loss on disposal of property, plant and equipment of approximately RMB15.8 million and allowance for expected credit loss on trade and other receivables of approximately RMB2.7 million during the year ended 31 December 2023 comparing to the year ended 31 December 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its operations primarily through a combination of cash generated from its operations, borrowings and equity from shareholder. The Group's principal uses of cash have been, and are expected to continue to be, payment for procurement of raw materials and inventories, purchase of property, plant and equipment and repayment of borrowings and interest. As at 31 December 2023, the Group had bank balances and cash of approximately RMB1.4 million and (31 December 2022: RMB0.7 million).

As at 31 December 2023, the total equity attributable to equity holders of the Company amounted to approximately RMB48.6 million (31 December 2022: approximately RMB111.8 million).

Gearing ratio is calculated based on the total loans and borrowings (including amounts due to a shareholder and non-controlling interest) divided by total equity as at the year-end date and expressed as a percentage. The gearing ratio of the Group as at 31 December 2023 was 163.7% (31 December 2022: 96.5%). During the year ended 31 December 2023, the Group did not employ any financial instrument for hedging purpose and did not enter into any hedging transactions.

CHARGES ON GROUP'S ASSETS

As at 31 December 2023, the following assets were pledged to secure the Group's bank and other borrowings:

(a) Buildings with an aggregate net carrying amount of approximately RMB42,859,000 as at 31 December 2023 (31 December 2022: RMB44,719,000);

(b) Land use rights with an aggregate net carrying amount of approximately RMB6,088,000 as at 31 December 2023 (31 December 2022: RMB6,275,000);

(c) Plant and machinery with an aggregate net carrying amount of approximately RMB3,506,000 as at 31 December 2023 (31 December 2022: RMB19,085,000); and

CAPITAL COMMITMENT

The Group had capital commitments for property, plant and equipment of approximately HK$25,498,000 as at 31 December 2023 (31 December 2022: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2023.

LITIGATIONS

There was no significant litigation at 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed a total of 116 full-time employees (31 December 2022: 183 full-time employees). Total employee benefit expenses for the year ended 31 December 2023 and the year ended 31 December 2022 were approximately RMB9.6 million and approximately RMB14.8 million respectively. The remuneration package for the Group's employees includes salaries, commission, bonus and allowances. Remuneration is determined with reference to market term and the performance, qualification and experience of individual employee, which would be reviewed by the Group regularly. The Group would provide induction trainings to new employees and regular trainings to existing employees to update their knowledge and skills.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES AND PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Change in ownership interest in a subsidiary

On 7 July 2023, Saftower Business Management (Guangyuan) Co. Ltd* (蜀塔企業管理(廣元)有限公司) (the "**Purchaser**"), an wholly-owned subsidiary of the Company, as purchaser, and Mr. Qin Chunlin (卿春麟) (the "**Vendor**"), as vendor, entered into an equity transfer agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase 30% of the equity interest ("**Sale Equity Interest**") in the Yaan Baosheng Metal Material Co., Ltd.* (雅安寶盛金屬材料有限公司) (the "**Target Company**") at the total consideration of RMB4.2 million (the "**Acquisition**"). Prior to the Acquisition, the Target Company was owned as to 70% by the Group and was a subsidiary of the Company, of which its financial results have been consolidated into that of the Group. The Sale Equity Interest represents 30% of the issued share capital of the Target Company, hence upon the completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. The Acquisition was completed in July 2023. For details, please refer to the announcement of the Company dated 7 July 2023.

Saved as disclosed above, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2023, and there was no plan for material investment or capital assets as at the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

Details of significant event affecting the Group after the reporting period and up to date of this announcement is set out in Note 14 to the consolidated financial statements in this announcement.

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in the Appendix C1 to the GEM Listing Rules. During the year ended 31 December 2023 and up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code except for code provision C.2.1 of the CG Code.

Under code provision C.2.1, the role of the chairman and chief executive officer of the Company should be separately taken by different individuals. Currently, Mr. Dang Fei is the chairman and the chief executive officer of the Company. The Board is of the view that Mr. Dang Fei carrying out both roles can bring strong and consistent leadership for the Group and that such arrangement will be beneficial to the Company and its business. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors are aware that the Company is expected to comply with the CG Code. Save as disclosed above, the Company will continue to comply with the CG Code to protect the best interests of the shareholders of the Company.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "**Model Code**"). The Company has made specific enquiries to all the Directors, all of whom have confirmed that they have fully complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2023 and up to the date of this announcement. No incident of non-compliance was noted by the Company for the year ended 31 December 2023 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float, under the GEM Listing Rules during the year ended 31 December 2023 and up to the date of this announcement.

ANNUAL GENERAL MEETING (THE "AGM")

The forthcoming annual general meeting of the Company is scheduled to be held on 31 May 2024 ("**2024 AGM**"). For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from 28 May 2024 to 31 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on 27 May 2024.

AUDIT COMMITTEE

The Company established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and relevant code provision under the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Dr. Zuo Xinzhang, Mr. Li Jian and Mr. Ma Kaibing, among which, Mr. Ma Kaibing possesses the appropriate professional accounting qualifications and related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules, and he serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board in providing an independent review of the effectiveness of the Group's internal audit function, financial reporting process, internal control and risk management systems, and to oversee the audit process. The Audit Committee had reviewed the audited final results of the Company for the year ended 31 December 2023.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, CL Partners CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 28 March 2024. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S OPINION

The below paragraphs set out an extract of the report by the auditors of the Company regarding the consolidated financial statements of the Group for the year ended 31 December 2023.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements which indicates that the Group incurred a net loss of RMB60,585,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group's net current liabilities amounted to RMB44,206,000. The Group's total borrowings amounted to RMB78,098,000, out of which RMB68,518,000, are repayable on demand on due for repayment in the next twelve months from the end of the reporting period, while its cash and cash equivalents amounted to RMB1,409,000 at 31 December 2023.

In addition, as at 31 December 2023, the Group was in default of borrowings with principal amount of RMB50,999,000 together with interest payable totally RMB54,062,000, due to the events of default of late or overdue repayment of loan principal and interest during the year ended or as at 31 December 2023.

These conditions, together with other matters described in note 3 to the consolidated financial statements, indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website (www.hkexnews.hk). The Company's annual report for the year ended 31 December 2023 and notice of the forthcoming annual general meeting will be made available on the websites of the Stock Exchange and will be despatched to the shareholders of the Company who have requested the printed copy on or before the end of April 2024.

By Order of the Board
China Saftower International Holding Group Limited
Dang Fei
Chairman and Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi and Mr. Li Xia, Ms. Hu Yi and Wang Yifan and the independent non-executive Directors are Dr. Zuo Xinzhang, Mr. Li Jian and Mr. Ma Kaibing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange website at www.hkexnews.hk on the "Latest Listed Company Information" page for at least seven days from the date of its publication and on the website of the Company at www.saftower.cn.

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.