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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Saftower International Holding Group Limited (the “**Company**” together with the subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2021. This announcement, which contains the full text of the 2021 interim report of the Company (the “**2021 Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information accompanying the preliminary announcement of interim results. The 2021 Interim Report will be despatched to the Shareholders of the Company and published on the websites of the Company at www.saftower.cn, the Stock Exchange at www.hkexnews.hk and GEM website at www.hkgem.com on 13 August 2021 in the manner as required by the GEM Listing Rules.

By order of the Board

China Saftower International Holding Group Limited

Dang Fei

Chairman and Executive Director

Hong Kong, 13 August 2021

As at the date of this announcement, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi and Mr. Luo Qiang, the non-executive Director is Mr. Wang Haichen and the independent non-executive Directors are Dr. Zuo Xinzhang, Mr. Chan Oi Fat and Ms. Hu Xiaomin.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company (www.saftower.cn).

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

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*This report, for which the directors (the “**Directors**” or individually a “**Director**”) 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 and its subsidiaries (collectively referred to as the “**Group**”, “**We**”, “**our**” or “**us**”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report 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 report misleading.*



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Dang Fei (*Chairman and chief executive officer*)

Mr. Wang Xiaozhong

Ms. Luo Xi

Mr. Luo Qiang

Non-executive Director

Mr. Wang Haichen

Independent non-executive Directors

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

Ms. Hu Xiaomin

COMPANY SECRETARY

Mr. Woo Yuen Ping

COMPLIANCE OFFICER

Mr. Wang Xiaozhong

AUTHORISED REPRESENTATIVES

Mr. Woo Yuen Ping

Mr. Dang Fei

AUDIT COMMITTEE

Mr. Chan Oi Fat (*Chairperson*)

Dr. Zuo Xinzhang

Ms. Hu Xiaomin

REMUNERATION COMMITTEE

Ms. Hu Xiaomin (*Chairperson*)

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

NOMINATION COMMITTEE

Mr. Dang Fei (*Chairperson*)

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

Ms. Hu Xiaomin

INDEPENDENT AUDITOR

BDO Limited

(*Certified Public Accountants*)

COMPLIANCE ADVISER

Alliance Capital Partners Limited

LEGAL ADVISER

(*As to Hong Kong law*)

ONC Lawyers

REGISTERED OFFICE

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Grand Cayman KY1-1002

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 9, Huaide Road, Sichuan-Zhejiang

Cooperation Industrial Park,

Guangyuan Economic and

Technological Development Zone,

Guangyuan, Sichuan Province,

the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 17/F,
8 Hart Avenue
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Company
Limited
Chengdu Pidun Branch
No. 178-188, Kehua Second Road,
Pitong Town
Pidun District, Chengdu
Sichuan Province
PRC

Bank of China Limited
Pidun Branch
No. 2 South Street
Pidun District, Chengdu
Sichuan Province
PRC

Chengdu Rural Commercial Bank
Company Limited
Pidun Hongxing Branch
No. 198 Wangcong East Road,
Pitong Town
Pidun District, Chengdu
Sichuan Province
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Appleby Global Services (Cayman) Limited
71 Fort Street, PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8623

COMPANY'S WEBSITE

www.saftower.cn

INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020 as follows:

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June		Three months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	7	204,537	208,550	118,550	157,974
Cost of sales		(196,152)	(193,665)	(114,786)	(146,235)
Gross profit		8,385	14,885	3,764	11,739
Other income	8	3,036	1,435	1,119	200
Selling and distribution expenses		(1,566)	(2,501)	(741)	(1,712)
Administrative and other expenses		(11,489)	(6,916)	(4,758)	(3,173)
Listing expenses		—	(865)	—	(500)
Finance costs	9	(4,649)	(4,456)	(2,368)	(2,572)
(Loss)/profit before income tax expense	10	(6,283)	1,582	(2,984)	3,982
Income tax credit/(expense)	11	891	(266)	578	(485)
(Loss)/profit for the period		(5,392)	1,316	(2,406)	3,497
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(299)	—	(344)	—
Total comprehensive income for the period		(5,691)	1,316	(2,750)	3,497

		Six months ended 30 June		Three months ended 30 June	
	Notes	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
(Loss)/profit for the period attributable to:					
Owners of the Company		(5,240)	1,144	(2,149)	3,010
Non-controlling interests		(152)	172	(257)	487
		(5,392)	1,316	(2,406)	3,497
Total comprehensive income for the period attributable to:					
Owners of the Company		(5,539)	1,144	(2,493)	3,010
Non-controlling interests		(152)	172	(257)	487
		(5,691)	1,316	(2,750)	3,497
(Loss)/earnings per share for the (loss)/profit attributable to owners of the Company during the period (expressed in RMB cents per share)					
— Basic and diluted	13	(0.65)	0.19	(0.26)	0.50

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	126,788	122,038
Goodwill	20	2,372	—
Intangible assets		275	223
Deferred tax assets		1,383	445
Right-of-use assets		10,055	10,427
Prepayments and deposits	15	6,620	1,185
		147,493	134,318
Current assets			
Inventories		26,734	16,739
Trade and bills receivables	15	193,846	161,483
Prepayments, deposits and other receivables	15	43,687	24,456
Amount due from a shareholder		—	5
Cash and cash equivalents		9,773	12,073
		274,040	214,756
Total assets		421,533	349,074
Current liabilities			
Contract liabilities		46,881	3,021
Trade payables	16	52,156	56,674
Accruals and other payables	16	14,904	6,989
Amount due to a shareholder		11,872	160
Borrowings	17	107,515	97,298
Deferred income		368	368
Lease liabilities		714	575
Income tax payable		892	451
		235,302	165,536
Net current assets		38,738	49,220
Total assets less current liabilities		186,231	183,538

	Notes	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current liabilities			
Borrowings	17	2,043	3,081
Deferred income		1,901	2,085
Deferred tax liabilities		628	1,497
Lease liabilities		557	731
		5,129	7,394
Total liabilities		240,431	172,930
Net assets		181,102	176,144
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	14,692	7,226
Reserves		138,220	143,759
		152,912	150,985
Non-controlling interests		28,190	25,159
Total equity		181,102	176,144

* Represents the amount less than RMB1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Equity attributable to owners of the Company								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Foreign exchange reserve RMB'000	Retained earnings RMB'000	Statutory reserves RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
	(Note 18)								
At 1 January 2021	7,226	30,642	69,696	(535)	36,232	7,724	150,985	25,159	176,144
Loss for the period	—	—	—	—	(5,240)	—	(5,240)	(152)	(5,392)
Other comprehensive income	—	—	—	(299)	—	—	(299)	—	(299)
Total comprehensive income for the period	—	—	—	(299)	(5,240)	—	(5,539)	(152)	(5,691)
Transfer to statutory reserves	—	—	—	—	(2)	2	—	—	—
Issue of new shares by way of subscription net of expenses (Note (i))	7,466	—	—	—	—	—	7,466	—	7,466
Acquisition of a subsidiary (Note 20)	—	—	—	—	—	—	—	3,183	3,183
At 30 June 2021	14,692	30,642	69,696	(834)	30,990	7,726	152,912	28,190	181,102
At 1 January 2020	—*	—	69,696	—	35,738	6,323	111,757	27,644	139,401
Profit and total comprehensive income for the period	—	—	—	—	1,144	—	1,144	172	1,316
Transfer to statutory reserves	—	—	—	—	(306)	306	—	—	—
At 30 June 2020	—*	—	69,696	—	36,576	6,629	112,901	27,816	140,717

* Represents the amount less than RMB1,000

Note:

- (i) Pursuant to the subscription shares under general mandate, a total of 120,000,000 subscription shares were allotted and issued to a subscriber, an independent third party, at a subscription price of HK\$0.075 per subscription share on 17 June 2021. The gross proceeds from the said subscription amounted to approximately HK\$9,000,000 and the related issue expenses were approximately HK\$10,000.

* English translated names are for identification purpose only

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		(14,482)	1,535
Income tax paid		(544)	(1,187)
Net cash (used in)/generated from operating activities		(15,026)	348
Cash flows from investing activities			
Purchase of property, plant and equipment		(11,750)	(3,328)
Purchase of intangible assets		(69)	—
Acquisition of a subsidiary, net of cash acquired	20	820	—
Interest received		19	4
Net cash used in investing activities		(10,980)	(3,324)
Cash flows from financing activities			
Proceeds from borrowings		52,300	65,940
Repayments of borrowings		(43,121)	(53,218)
Interest paid on borrowings		(4,185)	(4,385)
Repayments of lease liabilities		(146)	—
Interest paid on lease liabilities		(26)	—
Proceeds from issue of shares		7,466	—
Advance from a shareholder		11,717	—
Net cash generated from financing activities		24,005	8,337
Net (decrease)/increase in cash and cash equivalents		(2,001)	5,361
Cash and cash equivalents at beginning of period		12,073	2,726
Effect of exchange rate changes on cash and cash equivalents		(299)	—
Cash and cash equivalents at end of period		9,773	8,087

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

China Saftower International Holding Group Limited (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 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 and its subsidiaries are principally engaged in the manufacturing and sales of wires and cables and sale of aluminium products in the PRC.

The shares of the Company were listed on GEM of the Stock Exchange on 10 July 2020.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rule**”).

These unaudited condensed consolidated interim financial statements and notes do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and should be read in conjunction with the accountants’ report included in the annual report for the year ended 31 December 2020 of the Company dated 26 March 2021 (the “**Accountants’ Report**”).

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis.

These unaudited condensed consolidated interim financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. BASIS OF PREPARATION (CONTINUED)

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

The preparation of these unaudited condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

3. CHANGES IN HKFRSs

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

- Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform — Phase 2

The new or amended HKFRSs that are effective from 1 January 2021 did not have any significant impact on the Group's accounting policies.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing this unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Accountants' Report.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, market risks (including foreign exchange risk and interest rate risk), and liquidity risk. The Group historically has not used derivative instruments for hedging or trading purposes.

These unaudited condensed consolidated interim financial statements do not include the disclosures of the Group's financial risk management information that were required in the annual financial information, and should be read in conjunction with the Accountants' Report.

There have been no changes in the risk management policies since 31 December 2020.

6. SEGMENT REPORTING

Operating segments

During the six months ended 30 June 2021 and 30 June 2020, the Group was principally engaged in manufacturing and sales of wires and cables and sales 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 reportable operating segment which is the manufacturing and sales of wires and cables and sales of aluminium products. Accordingly, no operating segment information is presented.

Geographic information

The Group's revenue during the six months ended 30 June 2021 and 30 June 2020 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.

6. SEGMENT REPORTING (CONTINUED)

Information about major customers

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

	Six months ended 30 June		Three months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Customer A	N/A ⁽¹⁾	26,074	N/A ⁽¹⁾	N/A ⁽¹⁾
Customer B	23,053	N/A ⁽¹⁾	14,780	N/A ⁽¹⁾
Customer C	28,290	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾

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

7. REVENUE

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

	Six months ended 30 June		Three months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue from contracts with customers				
<i>Type of goods</i>				
Manufacturing and sales of wires and cables, recognised at a point in time	204,376	208,550	118,389	157,974
Sales of aluminium products, recognised at a point in time	161	—	161	—
	204,537	208,550	118,550	157,974

8. OTHER INCOME

	Notes	Six months ended 30 June		Three months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Other income					
Interest income		19	4	17	3
Government grants and subsidies	(i)	2,347	1,190	687	95
Sales of scrap metals and consumables		134	130	50	102
Rental income	(ii)	249	—	124	—
Others		287	111	241	—
		3,036	1,435	1,119	200

Notes:

- 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.
- ii. During the six months ended 30 June 2021, the Group leased its machine to an independent third party with the lease period within one year.

9. FINANCE COSTS

	Six months ended 30 June		Three months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	4,586	4,449	2,356	2,569
Interest expenses on lease liabilities	26	7	12	3
Others	205	—	—	—
Finance expenses	4,817	4,456	2,368	2,572
Finance cost capitalised in construction-in-progress	(168)	—	—	—
Finance costs recognised in profit or loss	4,649	4,456	2,368	2,572

10. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

(Loss)/profit before income tax expense is arrived after charging/(crediting):

	Six months ended 30 June		Three months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Costs of inventories recognised as expense	196,152	193,665	114,786	146,235
Auditor's remuneration	—	24	—	—
Depreciation of property, plant and equipment	3,816	3,372	1,906	1,517
Depreciation of right-of-use assets	483	324	238	162
Amortisation of intangible assets	17	7	10	3
Research and development costs (other than amortisation costs)	562	681	274	330
Release of deferred income	(184)	(184)	(92)	(92)
Allowance for expected credit losses ("ECLs") on trade receivables (Note 15)	1,621	134	333	(349)
Listing expenses	—	865	—	500
Employee costs (including directors' remuneration)				
Wages, salaries, allowances and other benefits	5,061	4,662	2,649	2,472
Contributions to defined contribution retirement plan	964	454	387	166
	6,025	5,116	3,036	2,638

11. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense in the unaudited condensed consolidated statement of profit or loss and other comprehensive income during the period represents:

	Six months ended 30 June		Three months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Income tax expense	60	506	25	402
Deferred tax (credit)/expense	(951)	(240)	(603)	83
Income tax (credit)/expense	(891)	266	(578)	485

No Hong Kong profits tax was provided during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil) as the Group has no estimated assessable profit in Hong Kong during the period (six months ended 30 June 2020: Nil).

Provision for the Enterprise Income Tax (“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.

四川蜀塔實業有限公司 (Sichuan Saftower Industry Company Limited*) (“**Sichuan Saftower**”) was approved as High and New Technology Enterprise, and accordingly, it was subject to a preferential EIT tax rate of 15% during the six months ended 30 June 2021 and 30 June 2020.

* English translated names are for identification purpose only

11. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

廣元同創新材料有限公司 (Guangyuan Tongchuang New Materials Company Limited*) (“**Guangyuan Tongchuang**”) is subject to an income tax concession of 10% reduction in tax rate due to preferential tax policy of the development of the western region for the six months ended 30 June 2021 and 30 June 2020. According to “Circular on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy” (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) (財稅[2011]58號), from 1 January 2011 to 31 December 2020, and its extension policy which is effective from 1 January 2021 to 31 December 2030, EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

12. DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 and 30 June 2020.

13. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share attributable to owners of the Company for the period is based on the (loss) attributable to owners of the Company for the six months ended 30 June 2021 of RMB(5,240,000) (2020: profit attributable to owners of the Company of RMB1,144,000), and the weighted average number of ordinary shares of 809,282,000 in issue (six months ended 30 June 2020: 600,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the reorganisation and the capitalisation issue as if these ordinary shares issued under the reorganisation had been issued on 1 January 2019 but excluding any shares issued pursuant to the share offer).

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2021 and 30 June 2020.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of machinery and office equipment with a cost of RMB6,274,000 (six months ended 30 June 2020: RMB101,000). No property, plant and equipment was disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

* English translated names are for identification purpose only

15. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Current:		
Trade receivables	197,918	163,946
Less: Allowance for ECLs on trade receivables	(4,084)	(2,463)
	193,834	161,483
Bills receivables	12	—
	193,846	161,483
Prepayments	717	310
Prepayments to suppliers	32,675	16,526
Deposits	109	19
Other receivables, net	10,186	7,601
	43,687	24,456
Non-current:		
Prepayments for purchase of property, plants and equipment	5,435	—
Deposits	1,185	1,185
	6,620	1,185
	50,307	25,641

The credit period granted to customers is ranging from 0 to 365 days as at 30 June 2021 (31 December 2020: 0 to 365 days).

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 to 60 days	36,954	83,799
61 to 180 days	28,215	22,296
181 to 365 days	79,979	4,138
Over 365 days	48,686	51,250
	193,834	161,483

As at 30 June 2021, trade receivables of a customer of approximately RMB20,965,000 were pledged as securities for the other borrowings as set out in Note 17 (31 December 2020: RMB20,965,000).

16. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade payables	52,156	56,674
Accrued listing expenses	—	177
Accrued employee benefit expenses	971	1,286
Payables for purchase of property, plant and equipment	1,428	1,469
Payable for intangible asset	15	13
Other taxes payables	63	136
Interest payables	579	178
Consideration payable (<i>Note 20</i>)	9,800	—
Deposits received	479	37
Other payables and accruals	1,569	3,693
	67,060	63,663

The credit period on purchases from suppliers is generally ranging from 0 to 120 days as at 30 June 2021 (31 December 2020: 0 to 120 days).

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
0 to 60 days	36,190	38,522
61 to 180 days	7,498	11,868
181 to 365 days	6,493	3,685
Over 365 days	1,975	2,599
	52,156	56,674

17. BORROWINGS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Current:		
Secured and guaranteed interest-bearing bank borrowings repayable within one year (<i>Note (i) and (ii)</i>)	74,868	80,097
Secured and guaranteed interest-bearing other borrowings repayable within one year (<i>Note (i) and (ii)</i>)	30,100	14,100
Sale and leaseback liabilities	2,547	3,101
	107,515	97,298
Non-current:		
Sale and leaseback liabilities	2,043	3,061

17. BORROWINGS (CONTINUED)

Notes:

- (i) The bank and other borrowings are secured by:
 - (a) Buildings with an aggregate net carrying amount of approximately RMB48,334,000 as at 30 June 2021 (31 December 2020: RMB48,650,000);
 - (b) Land use rights with an aggregate net carrying amount of approximately RMB6,565,000 as at 30 June 2021 (31 December 2020: RMB6,647,000);
 - (c) Property of close family members of directors of the Company as disclosed in Note 19(a);
 - (d) Properties of the directors of the Company as disclosed in Note 19(b);
 - (e) Properties of the independent third parties;
 - (f) Properties of the Group's key management personnel and their close family members as disclosed in Note 19(d);
 - (g) Plant and machinery with an aggregate net carrying amount of approximately RMB7,054,000 as at 30 June 2021 (31 December 2020: RMB707,000);
 - (h) Plant and machinery with an aggregate net carrying amount of approximately RMB2,529,000 as at 30 June 2021 (31 December 2020: RMB2,711,000);
 - (i) Trade receivables of approximately RMB20,965,000 as at 30 June 2021 (31 December 2020: RMB20,965,000) as disclosed in Note 15; and
 - (j) Inventories of a shareholder of Bigroad Investment Limited. Bigroad Investment Limited is one of the shareholders of the Company.
- (ii) The bank borrowings and other borrowings are guaranteed by:
 - (a) directors of the Company;
 - (b) shareholders of the Company;
 - (c) close family members of directors of the Company; and
 - (d) independent third parties.

17. BORROWINGS (CONTINUED)

The Group's bank and other borrowings are scheduled to repay as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within one year or on demand	104,968	94,197

The Group's sale and leaseback liabilities are scheduled to repay as follows:

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within one year or on demand	2,547	3,101
In the second year	1,458	1,898
In the third to fifth years, inclusive	585	1,183
	4,590	6,182

18. SHARE CAPITAL

	Number	Amount RMB'000
Authorised:		
At 1 January 2020	38,000,000	336
Increase in ordinary shares of HK\$0.01 each (Note (a))	3,962,000,000	35,658
At 31 December 2020 (audited) and 30 June 2021 (unaudited)	4,000,000,000	35,994
Issued and fully paid:		
At 1 January 2020	10,000	— *
Capitalisation issue of ordinary shares (Note (b))	599,990,000	5,420
Issue of ordinary shares upon share offer (Note (c))	200,000,000	1,806
At 31 December 2020 (audited)	800,000,000	7,226
Issue of new shares by way of subscription (Note (d))	120,000,000	7,466
At 30 June 2021 (unaudited)	920,000,000	14,692

* Represents the amount less than RMB1,000

18. SHARE CAPITAL (CONTINUED)

Notes:

- (a) On 10 June 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$40,000,000, divided into 4,000,000,000 shares each by the creation of an additional 3,962,000,000 ordinary shares.
- (b) Pursuant to the written resolution of all shareholders of the Company passed on 16 June 2020, the Directors were authorised to capitalise the amount of HK\$5,999,900 from the share premium account of the Company by applying such sum towards the paying up in full at par a total of 599,990,000 ordinary shares for the allotment of ordinary shares to Bonyer Investment Limited, Rock Base Investment Limited, Bigroad Investment Limited, Hisky Investment Limited, Dibell Investment Limited, Gun Wealth Investment Limited, ZH Fortune Investment Limited, Lockxy Investment Limited, Red Fly Investment Limited, Xseven Investment Limited and Ms. Zhao Qi.
- (c) Upon listing, the Company issued 200,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.3 per share pursuant to the share offer and listing of the Company's shares on GEM of the Stock Exchange.
- (d) Pursuant to the subscription agreement dated 27 May 2021, a total of 120,000,000 subscription shares were allotted and issued to a subscriber, who is an independent third party, at a subscription price of HK\$0.075 per subscription share on 17 June 2021 under general mandate.

19. RELATED PARTY TRANSACTION

- (a) As at 30 June 2021 and 31 December 2020, close family members of the directors of the Company pledged their property as a security for the bank and other borrowings as set out in Note 17.
- (b) As at 30 June 2021 and 31 December 2020, directors of the Company pledged their properties as securities for the bank and other borrowings as set out in Note 17.
- (c) Compensation to key management personnel

Remuneration for key management personnel of the Group during the period is as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries, allowances and other benefits	533	315
Contributions to defined contribution retirement plan	72	12
	605	327

- (d) As at 30 June 2021 and 31 December 2020, the Group's key management personnel and their close family members pledged their properties as securities for the bank and other borrowings as set out in Note 17.

20. ACQUISITION OF A SUBSIDIARY

In May 2020, the Group acquired 70% equity interest in 雅安寶盛金屬材料有限公司 (Yaan Baosheng Metal Material Company Limited*) (“**Yaan Baosheng**”) at a consideration of RMB9,800,000. This acquisition has been accounted for using the acquisition method. Yaan Baosheng is a company incorporated in PRC with principal activities of manufacturing and sales of aluminium products. After the acquisition of 70% equity interest in Yaan Baosheng, Yaan Baosheng became a subsidiary of the Company and its financial results will be consolidated into the results of the Group.

Consideration transferred

	RMB'000
Cash consideration	9,800

Assets acquired and liabilities recognised at the date of acquisition, determined on a provisional basis, were as follows:

	RMB'000
Property, plant and equipment	2,124
Prepayment, deposits and other receivables	8,813
Inventories	564
Cash and cash equivalents	820
Trade payables	(564)
Other payables and accruals	(1,146)
	<u>10,611</u>

The fair value of assets acquired and liabilities assumed and thus the goodwill arising on the acquisition at the date of acquisition have been determined on a provisional basis, for more information to be obtained during the measurement period, if any.

* English translated names are for identification purpose only

20. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition:

	RMB'000
Consideration payable	9,800
Add: Non-controlling interests	3,183
Less: recognised amount of identifiable net assets acquired	(10,611)
Goodwill arising on acquisition	2,372

Goodwill arose in the acquisition of Yaan Baosheng because the management considers that such acquisition will enable the Group to expand upstream and reduce the production cost and increase the profit margin of the Group in the long run. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Consideration payable	—
Cash and cash equivalents acquired	820
Net inflow of cash and cash equivalents included in cash flows from investing activities	820

No pro forma information for the acquisition of Yaan Baosheng is prepared as the acquisition was completed in May 2021 and the directors of the Company are of the opinion that there is no significant changes to the Group's revenue or profit for the current interim period had the acquisition been completed on 1 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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 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 cables products comprises classic and special products. Apart from finished wires and cables, the Group also produce semi-finished wires comprising aluminium rods and bare copper wires to maximise the Group's market exposure and enlarge its market share.

During the six months ended 30 June 2021, the Group continued to engage in the manufacturing and sales of wires and cables and continued to serve a large number of customers, mainly are 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.

Since the outbreak of COVID-19 pandemic (the “**Pandemic**”) in China in early 2020, the business environment has been adversely affected. The Group recorded a loss of approximately RMB5.4 million for the six months ended 30 June 2021, as compared with the net profit of approximately RMB1.3 million recorded by the Group for the six months ended 30 June 2020. Detail of the fluctuation of financial figures, please refer to the section headed “Financial Review” below.

On 10 July 2020 (the “**Listing Date**”), the shares of the Company (the “**Share(s)**”), shares were successfully listed on GEM (the “**Listing**”). For further details of our Group's business objectives, strategies and implementation plans, please refer to the section headed “Future Plans and Use of Proceeds” in the prospectus by the Company dated 24 June 2020 (the “**Prospectus**”) and the section headed “Use of Proceeds from the Listing” in this report.

FUTURE PROSPECTS

On 17 June 2021, the Group has successfully allotted and issued 120,000,000 shares to a subscriber, who is an independent third party to the Company, with net proceeds of approximately HK\$8.9 million. The proceeds has been used to acquire 70% of the equity interest in Yaan Baosheng, which engages in processing of aluminum cast-rolled coil and aluminum plate manufacturing of foil. Its products mainly include aluminum strip, preroll coating, diamond plate, presensitised alloy plate and thick foil coil, etc. (the “**Acquisition**”).

The Directors believe that the Acquisition will enable the Group to expand upstream business, provide a more stable source of raw materials in terms of quantity and price and reduce the production cost and increase the profit margin of the Group in the long run.

For details, please refer to the announcements of the Company dated 27 May 2021 and 17 June 2021.

Particularly, benefiting from the Western Development Strategy (《西部大開發戰略》), Sichuan Province has long been acting an important role in the economic development of Southwest China. The development of multiple industries such as power generation, infrastructure construction, communication and petrochemical has created a strong demand for wire and cable products. The Guangyuan government is actively developing aluminium industry. The Company is closely monitoring the process and will seize the opportunity arising out of the government policy to drive the Company’s growth. Meanwhile, our Group is looking for business opportunities to expand our influence in Southwest China and reduce regional concentration which may include expansion into other segments within aluminium industry as well as geographical expansion that may add value to our operation. The Group is evaluating various opportunities and will notify investors and shareholders according to relevant rules and regulations once any of these potentials is actualised.

Amid the unprecedented uncertainty over the Pandemic and recovery at economy, the Group will continue to adopt a pragmatic and positive approach to develop the Group's business and to enhance the profitability of the Group and interests of the shareholders of the Company. Although the Directors remain confident in the long-term business outlook and the core competencies of the Group, the financial results of the Group in particular in the second half of 2021 may potentially be affected as a result of the uncertainty.

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 six month
period ended 30 June

	Revenue		Gross profit		Gross profit margin	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021	2020
Classic finished wires and cables						
Copper wires and cables	17,943	16,806	1,038	2,357	5.8%	14.0%
Aluminium wires and cables	46,131	51,603	3,118	3,119	6.8%	6.0%
Special finished wires and cables						
Copper wires and cables	—	4,550	—	1,309	—	28.8%
Aluminium wires and cables	23,053	21,524	3,039	4,834	13.2%	22.5%
Semi-finished wires						
Bare copper wires	75,278	44,243	1,085	651	1.4%	1.5%
Aluminium rods	41,970	69,252	87	2,523	0.2%	3.6%
Others	162	572	18	92	11.1%	16.1%
	204,537	208,550	8,385	14,885	4.1%	7.1%

During the period under review, the Group generated its revenue mainly from the manufacturing and sales of wires and cables and sales of aluminium products in the PRC. The Group recorded a turnover of approximately RMB204.5 million, representing a decrease of approximately 1.9% as compared with that in the corresponding period in 2020. The slight decrease in revenue was comprising the effect of increase of sales of copper products of approximately RMB27.6 million and decrease of sales of aluminum products of approximately RMB31.2 million. The sales mixture variance is at a result of the demand from customers.

Cost of sales

Our cost of sales 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 increased from RMB193.7 million for the six months ended 30 June 2020 to RMB196.2 million for the six months ended 30 June 2021, representing an increase of RMB2.5 million, or 1.28%. The increase of cost of sales was due to the average copper and aluminium price in the market keeping inflation for the six months ended 30 June 2021.

Gross profit and gross profit margin

For the six months ended 30 June 2020 and 2021, our gross profit amounted to RMB14.9 million and RMB8.4 million, respectively, with a gross profit margin of 7.1% and 4.1%, respectively. In general, the gross profit margin of special finished wires and cables is higher than other products. The decrease in gross profit margin during the six months ended 30 June 2021 was mainly attributable to the increase of unit cost of raw materials, particularly copper and aluminium.

Other income and gains

Other income and gains increased from approximately RMB1.4 million for the six months ended 30 June 2020 to approximately RMB3.0 million for the six months ended 30 June 2021. The increase is mainly due to the increase of the government grants of approximately RMB1.2 million 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.

Selling and distribution expenses

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

Selling and distribution expenses decreased by RMB0.9 million or 37.4% for the six months ended 30 June 2021 as a result of the reduction of travelling of sales team under the Pandemic situation.

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, (iv) entertainment and travelling expenses and others.

Administrative and other expenses increased from RMB6.9 million for the six months ended 30 June 2020 to RMB11.5 million for the six months ended 30 June 2021, representing an increase of RMB4.6 million, or 66.1%. The increase was mainly due to (i) the increase in professional fee after the Listing, (ii) the increase of allowance for expected credit loss on trade receivables of approximately RMB1.5 million; and (iii) the increase of staff cost of approximately RMB0.9 million.

Finance costs

Finance costs of the Group had increased from approximately HK\$4.5 million for the six months ended 30 June 2020 to approximately HK\$4.6 million for the six months ended 30 June 2021. The increase in amount was mainly contributed to the increase in average amount of borrowings during the six months ended 30 June 2021.

Income tax expense

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. During the six months ended 30 June 2021, the Group recorded a tax credit of approximately RMB0.9 million due to recognition of the assessable loss for the period.

(Loss)/Profit attributable to owners for the period

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company amounted to approximately RMB5.2 million, as compared to the profit attributable to owners of approximately RMB1.1 million in the corresponding period in 2020. The Directors consider that the increase in net loss was mainly attributable to (1) the decrease in gross profit of approximately RMB6.5 million and the decrease in gross profit margin due to the increase in the cost of raw material; (2) the increase of allowance for expected credit loss on trade receivables of approximately RMB1.5 million; and (3) the increase of staff cost of approximately RMB0.9 million for the six months ended 30 June 2021 as compared to the corresponding period in 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its operations primarily through a combination of cash generated from its operations, borrowings and advance 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 30 June 2021, the Group had cash and cash equivalents of approximately RMB9.8 million (31 December 2020: RMB12.1 million).

As at 30 June 2021, the total equity attributable to equity holders of the Company amounted to approximately RMB152.9 million (31 December 2020: approximately RMB151.0 million).

Gearing ratio is calculated based on the total loans and borrowings divided by total equity as at the period-end date and expressed as a percentage. The gearing ratio of the Group as at 30 June 2021 was 67.1% (31 December 2020: 79.9%). During the six months ended 30 June 2021, the Group did not employ any financial instrument for hedging purpose.

Subscription of Shares under General Mandate

On 27 May 2021, the Company entered into the subscription agreement (the “**Subscription Agreement**”) with Mr. Fu Chuanrong (付傳榮), an independent third party of the Company and an individual who is a PRC resident, as subscriber (the “**Subscriber**”), pursuant to which the Subscriber agreed to subscribe for, and the Company agreed to allot and issue, a total of 120,000,000 ordinary shares (the “**Subscription Shares**”), having the total nominal value of HK\$1,200,000 at HK\$0.01 each, at the subscription price of HK\$0.075 per Subscription Share, which represents (i) a price equal to the closing price of HK\$0.075 per Share quoted on the date of the Subscription Agreement and (ii) a premium of approximately 6.1% to the average closing price of approximately HK\$0.0704 per Share as quoted on the Stock Exchange for the last five trading days preceding the date of the Subscription Agreement (the “**Subscription**”). The net price of the Subscription Share is approximately HK\$0.74 per Subscription Share.

The gross and net proceeds of the Subscription are HK\$9.0 million and approximately HK\$8.9 million. The Subscription Shares represent 15% of the issued share capital of the Company as at the date of the Subscription Agreement and approximately 13.0% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscription was completed on 17 June 2021. The reason for issuing the Subscription Shares is to finance the acquisition of 70% equity interest in Yaan Baosheng. For further information in relation to the Subscription, please refer to the announcements of the Company dated 27 May 2021 and 17 June 2021. For details on the use of proceeds from the Subscription, please refer to the paragraph headed “Use of Proceeds from the Subscription” below in this report.

CHARGES ON GROUP'S ASSETS

As at 30 June 2021, the following assets was pledged to secure the Group's bank and other borrowings:

Pledged assets	Net carrying amounts as at 30 June 2021 RMB'000	Net carrying amounts as at 31 December 2020 RMB'000
Buildings	48,334	48,650
Land use rights	6,565	6,647
Plant and machinery	9,583	3,418
Trade receivables	20,965	20,965
	85,447	79,680

Save as disclosed above, the Group did not have other material charges on assets.

CAPITAL COMMITMENT

The Group had no capital commitments as at 30 June 2021 (31 December 2020: RMB Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Group, which may materially and adversely affect the Group's business, financial condition or results of operations:

- (i) The Group's business and operation may be seriously affected by the Pandemic or public health incident, which may cause lockdown and suspension of work in the PRC.
- (ii) The Group's operations could be materially affected by the volatility in the prices of our major raw materials and we may not be able to secure our principal raw materials on commercially acceptable terms, or at all.
- (iii) The Group's revenue is mainly derived from sales to customers without long-term contracts, and the demand for the Group's products is significantly dependent on our customers' business and the performance of their respective industry or market.
- (iv) The PRC preferential tax treatment and government subsidies the Group currently enjoy may be unfavourably changed or discontinued.
- (v) The Group is exposed to the credit risk of our customers and operate in a relatively thin margin.

The Group believes that risk management practices are important and will use its best effort to monitor, assess and respond to the risks presented in the operations and financial position of the Group as efficiently and effectively as possible.

For other risks and uncertainties facing by the Group, please refer to the section headed "Risks Factors" in the Prospectus.

FOREIGN EXCHANGE RISK

The Group has no significant foreign currency risk as its business transactions, majority of its recognised assets and liabilities are principally denominated in RMB, its functional currency. The Group did not have any hedge instruments to hedge against other foreign currency transactions during the six months ended 30 June 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 254 full-time employees (30 June 2020: 243 full-time employees). Total employee benefit expenses for the six months ended 30 June 2021 and the six months ended 30 June 2020 were approximately RMB6.0 million and approximately RMB5.1 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.

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

On 27 May 2021, Saftower Business Management (Guangyuan) Co. Ltd.* (蜀塔企業管理(廣元)有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC, as purchase (the **"Purchaser"**) and Mr. Cao Dongni (曹東尼), an independent third party of the Company, as the vendor (the **"Vendor"**), entered into an equity transfer agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase 70% of the equity interest in Yaan Baosheng, a company incorporated in the PRC with limited liability at the total consideration of approximately RMB9.8 million (the **"Acquisition"**). Upon completion of the Acquisition, Yaan Baosheng was held as to 70% by the Purchaser and 30% by Mr. Qin Chunlin, who is an independent third party of the Company. As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under the GEM Listing Rules. The Acquisition was subsequently completed and Yaan Baosheng became a non-wholly owned subsidiary of the Company and its financial results would be consolidated into the financial results of the Group. For details, please refer to the announcement of the Company dated 27 May 2021.

* Unofficial name for identification only

Save for the Acquisition and the plan for material investment or capital assets as disclosed in the Prospectus, there was no significant investment held, material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021, and there was no plan for material investment or capital assets as at the date of this report.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds (the “**Net Proceeds**”) from the Listing, after deducting listing-related expenses, were approximately HK\$20.6 million (equivalent to approximately RMB18.6 million). The Net Proceeds raised by the Group have been fully utilised as at 30 June 2021 in the manner consistent with the proposed allocation as stated in the section headed “Future Plans and Use of Proceeds” as set out the Prospectus.

USE OF PROCEEDS FROM THE SUBSCRIPTION

On 27 May 2021, the Company entered into the Subscription Agreement with the Subscriber for allotting and issuing, a total of 120,000,000 Subscription Shares at the subscription price of HK\$0.075 per Subscription Share. The gross and net proceeds of the Subscription are HK\$9.0 million and approximately HK\$8.9 million. Details of the application of the net proceeds of the Subscription are as follows:

Intended Use	Amount of net proceeds allocated	Amount of net proceeds utilised as at 30 June 2021	Amount of net proceeds unutilised as at 30 June 2021
As the consideration for the Acquisition of 70% of the equity interest in Yaan Baosheng	HK\$8.9 million	HK\$8.9 million	—

As at 30 June 2021, the entire amount of the net proceeds from the Subscription was fully utilised in the manner as disclosed in the announcement of the Company dated 27 May 2021.

OTHER INFORMATION

INTERIM DIVIDENDS

The Board resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group adopts the principles and the code provisions in the Corporate Governance Code (the **"CG Code"**) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance.

The Company has complied with the code provisions of the CG Code during the six months ended 30 June 2021 and up to the date of this report, other than the code provision A.2.1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Dang Fei (**"Mr. Dang"**) is the chairman and the chief executive officer of the Company. In view of Mr. Dang being one of the co-founders of the Group and has been managing the Group's business and supervising overall strategic planning since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Dang taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). The Company, having made specific enquiry to all the Directors, is not aware of any non-compliance with the required standard of dealings and the Model Code during the six months ended 30 June 2021 and up to the date of this report.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Alliance Capital Partners Limited (the “**Compliance Adviser**”) to be the compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. As notified by the Compliance Adviser, as at 30 June 2021, save for the compliance adviser agreement dated 20 August 2018 entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long position in the Shares

Name of Director/ chief executive	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest
Mr. Dang Fei	Interest in controlled corporation (Note 1) Interest held jointly with another person (Note 2)	351,280,000	38.18%
Mr. Wang Xiaozhong	Interest in controlled corporation (Note 3)	99,760,000	10.84%
Ms. Luo Xi	Interest in controlled corporation (Note 4)	6,350,000	0.69%
	Beneficial owner	2,160,000	0.23%

Notes:

- The Shares were held by Red Fly Investment Limited ("**Red Fly**"). Red Fly is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun. By virtue of SFO, Mr. Dang Fei is deemed to be interested in the same number of Shares held by Red Fly.
- Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun together control 38.18% of the issued share capital of the Company.
- The Shares were held by Xseven Investment Limited ("**Xseven Investment**"). Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong. Under the SFO, Mr. Wang Xiaozhong is deemed to be interested in the same number of Shares held by Xseven Investment.
- The Shares were held by Lockxy Investment Limited ("**Lockxy Investment**"). Lockxy Investment is owned as to 68% by Ms. Luo Xi. By virtue of SFO, Ms. Luo Xi is deemed to be interested in the same number of Shares held by Lockxy Investment.

Save as disclosed above and so far as known to the Directors, as at 30 June 2021, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO and the Model Code, to be entered in the register referred to therein, or which would be required pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2021, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares interested (Long position)	Approximate percentage of interest
Red Fly	Beneficial owner <i>(Note 1)</i>	351,280,000	38.18%
Mr. Dang Jun	Interest held jointly with another person <i>(Note 2)</i>	351,280,000	38.18%
Ms. Li Li	Interest of spouse <i>(Note 3)</i>	351,280,000	38.18%
Mr. Fu Chuanrong	Beneficial owner <i>(Note 4)</i>	120,630,000	13.10%
Xseven Investment	Beneficial owner <i>(Note 5)</i>	99,760,000	10.84%
Ms. Gao Hong	Interest of spouse <i>(Note 6)</i>	99,760,000	10.84%

Notes:

1. The Shares were held by Red Fly. Red Fly is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun.
2. Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun together control 38.18% of the issued share capital of the Company.

3. Ms. Li Li is the spouse of Mr. Dang Jun. Under the SFO, Ms. Li Li is deemed to be interested in the same number of Shares held by Mr. Dang Jun.
4. On 17 June 2021, a total of 120,000,000 Subscription Shares were allotted and issued to Mr. Fu Chuanrong, at a subscription price of HK\$0.075 per Subscription Share.
5. The Shares were held by Xseven Investment. Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong.
6. Ms. Gao Hong is the spouse of Mr. Wang Xiaozhong. Under the SFO, Ms. Gao Hong is deemed to be interested in the same number of Shares owned by Mr. Wang Xiaozhong.

Save as disclosed above, as at 30 June 2021, the Company had not been notified by any parties (not being a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

COMPETING INTERESTS

The Directors were not aware of any business or interest of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business, or had any other conflict of interest with the Group, during the six months ended 30 June 2021.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 10 June 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to the Prospectus. Since the Listing Date and up to the date of this report, no option has been granted, exercised, cancelled or lapsed under the Share Option Scheme.

EVENTS AFTER THE REPORTING PERIOD

There is no significant events occurred subsequent to 30 June 2021 and up to the date of this report which requires disclosure.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established an audit committee (the “**Audit Committee**”) on 10 June 2020 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee consists of three members, namely, Mr. Chan Oi Fat, Dr. Zuo Xinzhang and Ms. Hu Xiaomin, all being independent non-executive Directors. Mr. Chan Oi Fat, who possesses the relevant accounting or finance qualification, currently serves as the chairman of the Audit Committee.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 were not reviewed or audited by the Company's auditor. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 and was of the opinion that the preparation of such statements complied with applicable accounting standards and the requirements under the GEM Listing Rules, and adequate disclosures have been made.

By order of the Board
China Saftower International Holdings Group Limited
Dang Fei
Chairman and Executive Director

Hong Kong, 13 August 2021

As at the date of this report, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi and Mr. Luo Qiang, the non-executive Director is Mr. Wang Haichen and the independent non-executive Directors are Dr. Zuo Xinzhang, Mr. Chan Oi Fat and Ms. Hu Xiaomin.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication. This report will also be published on the Company's website at www.saftower.cn.

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

* The English translation of Chinese names or words in this report, where indicated, is included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.