

# SAFTOWER

—— 蜀塔集团 ——

中國蜀塔國際控股集團有限公司

China Saftower International Holding Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 8623



# 2021

THIRD QUARTERLY REPORT

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## **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,  
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Hong Kong

**PRINCIPAL BANKERS**

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

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

Chengdu Rural Commercial Bank  
Company Limited  
Pidu Hongxing Branch  
No. 198 Wangcong East Road,  
Pitong Town  
Pidu 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  
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Cayman Islands

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER  
OFFICE**

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
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**STOCK CODE**

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**COMPANY'S WEBSITE**

[www.saftower.cn](http://www.saftower.cn)

# THIRD QUARTERLY RESULTS

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

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

For the nine months ended 30 September 2021

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Revenue</b>	4	<b>386,823</b>	348,356	<b>182,286</b>	139,806
Cost of sales		<b>(379,758)</b>	(323,672)	<b>(183,606)</b>	(130,007)
<b>Gross profit/(loss)</b>		<b>7,065</b>	24,684	<b>(1,320)</b>	9,799
Other income and gains	5	<b>9,349</b>	3,682	<b>6,313</b>	2,247
Selling and distribution expenses		<b>(2,777)</b>	(4,268)	<b>(1,211)</b>	(1,767)
Administrative and other expenses		<b>(15,957)</b>	(11,121)	<b>(4,468)</b>	(4,205)
Listing expenses		—	(7,838)	—	(6,973)
Finance costs	6	<b>(6,601)</b>	(6,835)	<b>(1,952)</b>	(2,379)
<b>Loss before income tax expense</b>	7	<b>(8,921)</b>	(1,696)	<b>(2,638)</b>	(3,278)
Income tax credit	8	<b>1,974</b>	464	<b>1,083</b>	730
<b>Loss for the period</b>		<b>(6,947)</b>	(1,232)	<b>(1,555)</b>	(2,548)
<b>Other comprehensive income:</b>					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		<b>(115)</b>	—	<b>184</b>	—
Total comprehensive income for the period		<b>(7,062)</b>	(1,232)	<b>(1,371)</b>	(2,548)
<b>Loss for the period attributable to:</b>					
Owners of the Company		<b>(6,451)</b>	(1,666)	<b>(1,211)</b>	(2,810)
Non-controlling interests		<b>(496)</b>	434	<b>(344)</b>	262
		<b>(6,947)</b>	(1,232)	<b>(1,555)</b>	(2,548)

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

For the nine months ended 30 September 2021

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the Company		(6,566)	(1,666)	(1,027)	(2,810)
Non-controlling interests		(496)	434	(344)	262
		<b>(7,062)</b>	<b>(1,232)</b>	<b>(1,371)</b>	<b>(2,548)</b>
<b>Loss per share for the loss attributable to owners of the Company during the period (expressed in RMB cents per share)</b>					
– Basic and diluted	10	<b>(0.76)</b>	(0.25)	<b>(0.13)</b>	(0.36)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Equity attributable to owners of the Company								Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Retained earnings RMB'000	Statutory reserves RMB'000	Foreign exchange reserves RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	
<b>Balance as at 1 January 2021</b>	7,226	30,642	69,696	36,232	7,724	(535)	150,985	25,159	176,144
Loss for the period	-	-	-	(6,451)	-	-	(6,451)	(496)	(6,947)
Other comprehensive income	-	-	-	-	-	(115)	(115)	-	(115)
Total comprehensive income for the period	-	-	-	(6,451)	-	(115)	(6,566)	(496)	(7,062)
Issue of new shares by way of subscription net of expenses (Note (i))	7,466	-	-	-	-	-	7,466	-	7,466
Acquisition of a subsidiary	-	-	-	-	-	-	-	3,183	3,183
<b>Balance as at 30 September 2021</b>	<b>14,692</b>	<b>30,642</b>	<b>69,696</b>	<b>29,781</b>	<b>7,724</b>	<b>(650)</b>	<b>151,885</b>	<b>27,846</b>	<b>179,731</b>
<b>Balance as at 1 January 2020</b>	-*	-	69,696	35,738	6,323	-	111,757	27,644	139,401
Loss and total comprehensive income for the period	-	-	-	(1,666)	-	-	(1,666)	434	(1,232)
Transfer to statutory reserves	-	-	-	(950)	950	-	-	-	-
Capitalisation issue (Note ii)	5,386	(5,386)	-	-	-	-	-	-	-
Issue of shares under share offer (Note iii)	1,795	52,065	-	-	-	-	53,860	-	53,860
Share issue expenses	-	(16,395)	-	-	-	-	(16,395)	-	(16,395)
<b>Balance at 30 September 2020</b>	<b>7,181</b>	<b>30,284</b>	<b>69,696</b>	<b>33,122</b>	<b>7,273</b>	<b>-</b>	<b>147,556</b>	<b>28,078</b>	<b>175,634</b>

\* Represents the amount less than RMB1,000

Notes:

- (i) Pursuant to the subscription agreement dated 27 May 2021 (the "Subscription Agreement"), 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 "Subscription"). The gross proceeds from the said subscription amounted to HK\$9 million and the related issue expenses were approximately HK\$10,000.
- (ii) Pursuant to the written resolution of all shareholders of the Company passed on 16 June 2020, the directors were authorized 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, Rocky 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.
- (iii) Upon the listing of the shares on GEM of the Stock Exchange on 10 July 2020 (the "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 the Listing.





# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 30 September 2021*

## 1. GENERAL 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 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 manufacturing and sale of aluminium products in the PRC.

The shares of the Company (the "Share(s)") were listed on GEM of the Stock Exchange on 10 July 2020 (the "Listing Date").

## 2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

These unaudited consolidated financial statements of the Group for the nine months ended 30 September 2021 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standard ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rule.

These unaudited consolidated financial statements for the nine months ended 30 September 2021 and notes do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the accountants' report included in the annual report for the year end 31 December 2020 of the Company dated 26 March 2021 (the "Accountants' Report").

The adoption of the new and revised HKFRSs has had no significant effect on these unaudited consolidated financial statements for the nine months ended 30 September 2021 and there have been no significant changes to the accounting policies applied in these unaudited consolidated financial statements for the nine months ended 30 September 2021.



## 2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

### (CONTINUED)

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

These unaudited consolidated financial statements for the nine months ended 30 September 2021 have been prepared under the historical cost basis.

These unaudited consolidated financial statements for the nine months ended 30 September 2021 are presented in Renminbi (“**RMB**”), unless otherwise stated.

These consolidated financial statements have not been audited or reviewed by the Company's independent auditor, but have been reviewed by the audit committee of the Board (the “**Audit Committee**”).

## 3. SEGMENT REPORTING

### Operating segments

During the nine months ended 30 September 2021 and 30 September 2020, the Group was principally engaged in manufacturing and sales of wires and cables and manufacturing and sales of aluminium products in the PRC. Information reported to the Group's chief operating decision maker, 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 manufacturing and sales of aluminium products. Accordingly, no operating segment information is presented.

### Geographic information

The Group's revenue during the nine months ended 30 September 2021 and 30 September 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.

#### 4. 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 period.

	Nine months ended 30 September		Three months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
<b>Revenue from contracts with customers</b>				
<i>Type of goods</i>				
Manufacturing and sales of wires and cables, recognised at a point in time	<b>322,962</b>	346,126	<b>118,586</b>	137,576
Manufacturing and sales of aluminium products, recognised at a point in time	<b>63,861</b>	2,230	<b>63,700</b>	2,230
	<b>386,823</b>	348,356	<b>182,286</b>	139,806

## 5. OTHER INCOME AND GAINS

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest income		35	6	16	2
Government grants and subsidies	(i)	8,556	3,385	6,209	2,195
Sales of scrap metals and consumables		140	130	6	—
Rental income	(ii)	249	—	—	—
Others		369	161	82	50
		<b>9,349</b>	3,682	<b>6,313</b>	2,247

Notes:

- i. The Group received government grants and subsidies 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 and enjoy a value-added tax subsidy of 30% on products and labor services for comprehensive utilization of resources. There were no unfulfilled conditions in relation to the grants and subsidies.
- ii. During the nine months ended 30 September 2021, the Group leased its machine to an independent third party with the lease period within one year.

## 6. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	6,526	6,825	1,940	2,376
Interest expenses on lease liabilities	38	10	12	3
Others	205	—	—	—
Finance expenses	<b>6,769</b>	6,835	<b>1,952</b>	2,379
Finance cost capitalised in construction-in progress	(168)	—	—	—
Finance costs recognised in profit or loss	<b>6,601</b>	6,835	<b>1,952</b>	2,379

## 7. LOSS BEFORE INCOME TAX EXPENSE

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

	Nine months ended 30 September		Three months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Costs of inventories recognised as expense	379,758	323,672	183,606	130,007
Auditor's remuneration	—	226	—	202
Depreciation of property, plant and equipment	5,409	4,950	1,593	1,578
Depreciation of right-of-use assets	726	486	243	162
Amortisation of intangible assets	26	11	9	4
Research and development costs (other than amortisation costs)	823	982	261	301
Release of deferred income	(276)	(276)	(92)	(92)
Allowance for/(reversal of) expected credit losses on trade receivables	304	251	(1,317)	117
Listing expenses	—	7,838	—	6,973
Employee costs (including directors' remuneration Wages, salaries, allowances and other benefits)	7,771	6,780	2,710	2,118
Contributions to defined contribution retirement plan	1,932	953	968	499
	<b>9,703</b>	<b>7,733</b>	<b>3,678</b>	<b>2,617</b>

## 8. INCOME TAX CREDIT

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

	Nine months ended 30 September		Three months ended 30 September	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Income tax expense/(credit)	—	42	(60)	(464)
Deferred tax credit	(1,974)	(506)	(1,023)	(266)
Income tax credit	(1,974)	(464)	(1,083)	(730)

No Hong Kong profits tax was provided during the nine months ended 30 September 2021 (nine months ended 30 September 2020: nil) as the Group has no estimated assessable profit in Hong Kong during the period (nine months ended 30 September 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 a 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 is subject to a preferential EIT tax rate of 15% during the nine months ended 30 September 2021 and 30 September 2020.

\* English translated names are for identification purpose only

## 8. 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 10% income tax concession due to the preferential tax policy of the development of the western region fulfilled for the nine months ended 30 September 2021 and 30 September 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%.

## 9. DIVIDEND

The Directors resolved not to recommend the payment of any interim dividend for the nine months ended 30 September 2021 and 30 September 2020.

## 10. LOSS PER SHARE

The calculation of loss per share attributable to owners of the Company for the period is based on the loss attributable to owners of the Company for the nine months ended 30 September 2021 of RMB6,451,000 (2020: RMB1,666,000), and the weighted average number of ordinary Shares of 846,593,407 in issue (2021: 660,583,942).

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

\* English translated names are for identification purpose only

## 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 nine months ended 30 September 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 RMB6.9 million for the nine months ended 30 September 2021 (2020: loss of approximately RMB1.2 million). Detail of the fluctuation of financial figures, please refer to the section headed "Financial Review" below.

On 10 July 2020, the Shares of the Company, were successfully listed on GEM. For further details of the 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 and aluminum plate and 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 Guanyuan 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.

In addition, on 27 October 2021, Saftower Enterprise Management (Guanyuan) Company Limited\* (蜀塔企業管理(廣元)有限公司), a wholly-own indirect subsidiary of the Company established in the PRC, entered into an investment agreement (the "**Investment Agreement**") with the government of Baoxing County of Yaan City of Sichuan Province of the PRC, whereby the Group will invest in a production plant capable of producing 100,000 tons aluminium cold roll plants per annum in Baoxing County, while the government of Baoxing County will provide tax concessions and assistance to the newly established plant. The construction of the plant is expected to be completed in October 2022 and commercial production is expected to commence six months after completion of construction of the plant. The commencement production of the new plant in Baoxing County of Yaan City is expected to boost the revenue from the sale of aluminium product in the long run for the Group.




## FINANCIAL REVIEW

### Revenue

The following 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 nine month  
ended 30 September

	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	31,915	29,524	1,131	3,844	3.5%	13.0%
Aluminium wires and cables	78,528	109,841	2,559	7,869	3.3%	7.2%
Special finished wires and cables						
Copper wires and cables	—	4,909	—	1,381	—	28.1%
Aluminium wires and cables	38,923	32,206	6,079	7,083	15.6%	22.0%
Semi-finished wires						
Bare copper wires	117,375	76,543	1,234	1,344	1.1%	1.8%
Aluminium rods	55,479	92,430	(188)	3,033	(0.3%)	3.3%
Cast-rolled coil	63,861	—	(3,868)	—	(6.1%)	—
Aluminium products	—	2,230	—	2	—	0.1%
Others	742	673	118	128	15.9%	19.0%
	<b>386,823</b>	<b>348,356</b>	<b>7,065</b>	<b>24,684</b>	<b>1.8%</b>	<b>7.1%</b>



During the period under review, the Group generated its revenue mainly from the manufacturing and sales of wires and cables and manufacturing and sales of aluminium products in the PRC. The Group recorded a turnover of approximately RMB386.8 million, representing an increase of approximately 11.0% as compared with that in the corresponding period in 2020. The increase in revenue was mainly due to the contribution from our new product, cast-rolled coil, of approximately RMB63.9 million from our new subsidiary named Yaan Baosheng Metal Material Co., Ltd.

### **Cost of sales**

The Group's 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 RMB323.7 million for the nine months ended 30 September 2020 to RMB379.8 million for the nine months ended 30 September 2021, representing an increase of RMB56.1 million, or 17.3%. The increase of cost of sales was due to the average copper and aluminium price in the market keeping inflation for the nine months ended 30 September 2021.

### **Gross profit and gross profit margin**

For the nine months ended 30 September 2020 and 2021, the Group's gross profit amounted to RMB24.7 million and RMB7.1 million, respectively, with a gross profit margin of 7.1% and 1.8%, respectively. In general, the gross profit margin of special finished wires and cables is higher than other products. During the nine months ended 30 September 2021, the gross profit margin decreased due to gross loss of approximately RMB3.9 million reported from our new product, cast-rolled coil and the increase of unit cost of raw materials, particularly copper and aluminium.



### **Other income and gains**

Other income and gains increased from approximately RMB3.7 million for the nine months ended 30 September 2020 to approximately RMB9.3 million for the nine months ended 30 September 2021. The increase is mainly due to the increase of the government grants of approximately RMB5.2 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 and enjoy a value-added tax subsidy of 30% on products and labor services for comprehensive utilization of resources.

### **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 RMB1.5 million or 34.9% in 2021 as a result of the reduction of travel activities of the sales team under the Pandemic.

### **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) guarantee fees, (v) entertainment and travelling expenses and others.

Administrative and other expenses increased from RMB11.1 million for the nine months ended 30 September 2020 to RMB16.0 million for the nine months ended 30 September 2021, representing an increase of RMB4.9 million, or 43.5%. The increase was mainly due to (i) the increase in professional fees after the Listing, (ii) the increase of allowance for expected credit loss on trade receivables of approximately RMB0.3 million; and (iii) the increase of staff cost of approximately RMB2.0 million.





### **Finance costs**

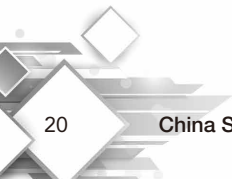
Finance costs of the Group had decreased from approximately HK\$6.8 million for the nine months ended 30 September 2020 to approximately HK\$6.6 million for the nine months ended 30 September 2021. The slight decrease in amount was mainly contributed to the decrease in average amount of borrowings during the nine months ended 30 September 2021.

### **Income tax 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. During the nine months ended 30 September 2021, the Group recorded a tax credit of approximately RMB2.0 million due to recognition of the assessable loss for the period.

### **Loss attributable to owners of the Company for the period**

For the nine months ended 30 September 2021, a loss attributable to the owners of the Company of approximately RMB6.5 million, representing an increase of approximately RMB4.8 million comparing to the corresponding period in 2020, as a result of the combined effects as discussed above.





## CONTINGENT LIABILITIES

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

## 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 purchaser (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. 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.

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 nine months ended 30 September 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 September 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:

<b>Intended Use</b>	<b>Amount of net proceeds allocated</b>	<b>Amount of net proceeds utilised as at 30 September 2021</b>	<b>Amount of net proceeds unutilised as at 30 September 2021</b>
As the consideration for the Acquisition of 70% of the equity interest in Yaan Baosheng	8.9 million	8.9 million	—

As at 30 September 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.

### **DIVIDENDS**

The Board resolved not to declare any dividend for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the nine months ended 30 September 2021 and up to the date of this report.

### **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

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 Appendix 15 to the GEM Listing Rules.

The Company has complied with the code provisions of the CG Code during the nine months ended 30 September 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 for the nine months ended 30 September 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 the date of this report, save for the compliance adviser agreement dated 20 August 2018 and a financial adviser agreement dated 9 August 2021 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 September 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 Securities and Futures Ordinance (Chapter 571 the Laws of Hong Kong) (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 ( <i>Note 1</i> ) Interest held jointly with another person ( <i>Note 2</i> )	351,280,000	43.91%
Mr. Wang Xiaozhong	Interest in controlled corporation ( <i>Note 3</i> )	99,760,000	12.47%
Ms. Luo Xi	Interest in controlled corporation ( <i>Note 4</i> )	6,350,000	0.79%
	Beneficial owner	2,160,000	0.27%

#### 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 will together control 43.91% 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 September 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 September 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:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Number of Shares interested (Long position)</b>	<b>Approximate percentage of interest</b>
Red Fly	Beneficial owner (Note 1)	351,280,000	43.91%
Mr. Dang Jun	Interest held jointly with another person (Note 2)	351,280,000	43.91%
Ms. Li Li	Interest of spouse (Note 3)	351,280,000	43.91%
Xseven Investment	Beneficial owner (Note 4)	99,760,000	12.47%
Ms. Gao Hong	Interest of spouse (Note 5)	99,760,000	12.47%

Notes:

1. The Shares were held beneficially 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 will together control 43.91% of the issued share capital of the Company.

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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. The Shares were held beneficially by Xseven Investment. Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong.
  5. 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 September 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 nine months ended 30 September 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. No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme as at 30 September 2021.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as the Investment Agreement dated 27 October 2021, there are no significant events occurred subsequent to 30 September 2021 and up to the date of this report which requires disclosure. For further information in relation to the Investment Agreement, please refer to paragraph headed “Future Prospects” in this report.



## AUDIT COMMITTEE AND REVIEW OF THIRD QUARTERLY RESULTS

The Company has established 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 currently serves as the chairman of the audit committee.

The auditor of the Company has not audited or reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2021 but 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 nine months ended 30 September 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 Holding Group Limited**  
**Dang Fei**  
*Chairman and Executive Director*

Hong Kong, 12 November 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 Listed Company Information" page of the GEM website at [www.hkgem.com](http://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](http://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.