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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 THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

The board (the “**Board**”) of directors (the “**Directors**”) of China Saftower International Holding Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the nine months ended 30 September 2023. This announcement, containing the full text of the third quarterly report of the Company for the nine months ended 30 September 2023 (the “**Third Quarterly 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 to accompany preliminary announcement of third quarterly results. Printed version of the Third Quarterly Report will be despatched to the Shareholders of the Company and published on the websites of the Company at www.saftower.cn and the Stock Exchange at www.hkexnews.hk as soon as practicable in compliance with the GEM Listing Rules.

By order of the Board

China Saftower International Holding Group Limited

Dang Fei

Chairman and Executive Director

Hong Kong, 14 November 2023

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 Stock Exchange’s website (www.hkexnews.hk) for at least 7 days from the date of its publication. This announcement will also be published on the website of the Company at www.saftower.cn.

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

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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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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

CL Partners CPA Limited

(*Certified Public Accountants*)

COMPLIANCE ADVISER

Alliance Capital Partners Limited

LEGAL ADVISER

(*As to Hong Kong law*)

Faribairn Cately Low & Kong

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PRINCIPAL BANKERS

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Sichuan Province
PRC

Bank of China Limited
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Company Limited
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**PRINCIPAL SHARE REGISTRAR
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**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER
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STOCK CODE

8623

COMPANY'S WEBSITE

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 2023 (the “**Period**”), together with the unaudited comparative figures of the corresponding period in 2022 as follows:

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

For the nine months ended 30 September 2023

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2023	2022	2023	2022
		RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	4	166,194	470,361	35,002	120,871
Cost of sales		(165,396)	(483,254)	(34,432)	(127,786)
Gross profit/(loss)		798	(12,893)	570	(6,915)
Other income and gains	5	5,917	15,422	4,764	2,659
Selling and distribution expenses		(1,394)	(4,527)	(509)	(1,291)
Administrative and other expenses		(29,145)	(16,201)	(18,958)	(5,959)
Finance costs	6	(6,673)	(10,527)	(2,873)	(2,697)
Loss before income tax expense	7	(30,497)	(28,726)	(17,006)	(14,203)
Income tax credit	8	6,268	3,858	4,162	2,319
Loss for the period		(24,229)	(24,868)	(12,844)	(11,884)
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(108)	(70)	4	(100)
Total comprehensive income for the period		(24,337)	(24,938)	(12,840)	(11,984)
Loss for the period attributable to:					
Owners of the Company		(23,170)	(21,006)	(13,126)	(8,993)
Non-controlling interests		(1,059)	(3,862)	282	(2,891)
		(24,229)	(24,868)	(12,844)	(11,884)

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

For the nine months ended 30 September 2023

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Total comprehensive income for the period attributable to:					
Owners of the Company		(23,278)	(21,076)	(13,122)	(9,093)
Non-controlling interests		(1,059)	(3,862)	282	(2,891)
		(24,337)	(24,938)	(12,840)	(11,984)
Loss per share for the loss attributable to owners of the Company during the period (expressed in RMB cents per share)					
— Basic and diluted	10	(2.52)	(2.28)	(1.43)	(0.98)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023

Equity attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Retained earnings/ Accumulated loss RMB'000	Statutory reserves RMB'000	Foreign exchange reserves RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2023	8,222	37,111	69,696	(10,525)	7,730	(428)	111,806	23,703	135,509
Loss for the period	–	–	–	(23,170)	–	–	(23,170)	(1,059)	(24,229)
Other comprehensive income	–	–	–	–	–	(108)	(108)	–	(108)
Total comprehensive income for the period	–	–	–	(23,170)	–	(108)	(23,278)	(1,059)	(24,337)
Balance as at 30 September 2023	8,222	37,111	69,696	(33,695)	7,730	(536)	88,528	22,644	111,172
Balance as at 1 January 2022	8,222	37,111	69,696	11,002	7,730	(474)	133,287	27,804	161,091
Loss for the period	–	–	–	(21,006)	–	–	(21,006)	(3,862)	(24,868)
Other comprehensive income	–	–	–	–	–	(70)	(70)	–	(70)
Total comprehensive income for the period	–	–	–	(21,006)	–	(70)	(21,076)	(3,862)	(24,938)
Balance as at 30 September 2022	8,222	37,111	69,696	(10,004)	7,730	(544)	112,211	23,942	136,153

* Represents the amount less than RMB1,000

Note:

- (i) Pursuant to the subscription agreement dated 27 May 2021, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (as 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.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

These unaudited consolidated financial statements of the Group for the nine months ended 30 September 2023 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 Rules.

These unaudited consolidated financial statements for the nine months ended 30 September 2023 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 2022 of the Company dated 31 March 2023 (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 2023 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 2023.

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 2023 have been prepared under the historical cost basis.

These unaudited consolidated financial statements for the nine months ended 30 September 2023 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 2023 and 30 September 2022, 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 2023 and 30 September 2022 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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 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	164,021	171,857	35,002	58,633
Manufacturing and sales of aluminium products, recognised at a point in time	2,173	298,504	—	62,238
	166,194	470,361	35,002	120,871

5. OTHER INCOME AND GAINS

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest income		1,916	2,062	1,913	836
Government grants and subsidies	(i)	2,456	11,560	1,236	1,640
Sales of scrap metals and consumables		54	8	21	4
Rental income	(ii)	453	346	374	151
Net realised and unrealised gain/(loss) on financial assets at fair value through profit or loss		—	691	—	(48)
Others		1,038	755	1,220	76
		5,917	15,422	4,764	2,659

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 2023, the Group leased certain of its machine and plant 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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	6,593	9,476	2,796	1,853
Interest expenses on lease liabilities	80	273	77	72
Others	—	953	—	794
Finance expenses	6,673	10,702	2,873	2,719
Finance cost capitalised in construction-in progress	—	(175)	—	(22)
Finance costs recognised in profit or loss	6,673	10,527	2,873	2,697

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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Costs of inventories recognised as expense	165,396	483,254	34,682	127,786
Auditor's remuneration	614	21	164	21
Depreciation of property, plant and equipment	6,783	6,470	1,792	1,702
Depreciation of right-of-use assets	124	1,916	9	271
Amortisation of intangible assets	174	28	155	9
Research and development costs (other than amortisation costs)	—	643	—	188
Release of deferred income	(276)	(276)	(92)	(92)
Allowance for/(reversal of) expected credit losses on trade receivables	5,347	593	716	(29)
Employee costs (including directors' remuneration wages, salaries, allowances and other benefits)	5,650	8,507	549	1,829
Contributions to defined contribution retirement plan	1,681	2,057	876	711
	7,330	10,564	1,424	2,540

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	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Income tax expense/(credit)	7	—	—	(252)
Deferred tax credit	(6,275)	(3,858)	(4,162)	(2,067)
Income tax credit	(6,268)	(3,858)	(4,162)	(2,319)

No Hong Kong profits tax was provided during the nine months ended 30 September 2023 (nine months ended 30 September 2022: nil) as the Group has no estimated assessable profit in Hong Kong during the period (nine months ended 30 September 2022: 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.

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 2023 and 30 September 2022. 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 2010 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 2023 (nine months ended 30 September 2022: nil).

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 2023 of RMB23,170,000 (nine months ended 30 September 2022: RMB21,006,000), and the weighted average number of ordinary shares of 920,000,000 in issue (nine months ended 30 September 2022: 920,000,000 Shares).

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 2023 and 30 September 2022.

* English translated names are for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a regional manufacturer and supplier of wires and cables and also engages in processing of aluminium cast-rolled coil and aluminium plate foil, with integrated production facilities situated in Chengdu, Guangyuan and Bazhong of Sichuan Province, the PRC. The Group's products can be broadly classified into five 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 produces semi-finished wires comprising aluminium rods and bare copper wires to maximise the Group's market exposure and enlarge its market share.

During the nine months ended 30 September 2023 (the "**Period**"), the Group continued to engage in the manufacturing and sales of wires and cables and aluminium products and continued to serve a large number of customers, mainly power companies, manufacturing enterprises, construction and renovation companies as well as trading companies which purchase products from the Group for onward sale on their own accounts.

FUTURE PROSPECTS

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

1. **Increasing Demand in Various Applications:** The demand for wires and cables is expected to continue growing in sectors such as automotive, construction, and telecommunications. Ongoing urbanization, infrastructure development, and technological advancements will contribute to this demand. As these industries expand, the need for wires and cables will increase, presenting manufacturers with new opportunities.
2. **Government Investment in Infrastructure:** The Chinese government's continued investment in infrastructure development will be a significant driver for the industry. Projects related to power grids, high-speed railways, 5G networks, and other infrastructure initiatives will require substantial amounts of wires and cables. Manufacturers and suppliers can benefit from these investments by meeting the demand for these essential components.
3. **Adoption of Renewable Energy Technologies:** The increasing adoption of renewable energy sources, such as wind and solar power, presents a significant growth opportunity for wire and cable manufacturers. These technologies rely heavily on extensive wiring and cabling systems to connect power generation facilities to the grid. As China continues to prioritize its transition to cleaner energy sources, the demand for wires and cables in this sector is expected to rise.

4. Domestic Market Development: As the PRC focuses on developing its domestic market, manufacturers and suppliers can shift their attention from exports to catering to the local demand. This strategic shift can help businesses reduce their reliance on external factors, such as trade tensions or global market fluctuations. By capturing a larger share of the domestic market, manufacturers can experience more stable growth and increased profitability.

Considering these factors, it is reasonable to expect that the financial performance of wire and cable manufacturers in the PRC would improve in the foreseeable future although the wire and cable industry remains competitive. However, it is essential for companies in the industry to stay updated with market trends, invest in research and development, and maintain high-quality standards to remain competitive and capitalize on the opportunities presented by these growth drivers.

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 (loss)/profit		Gross (loss)/profit margin	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023	2022
Classic finished wires and cables						
Copper wires and cables	954	6,663	54	(772)	5.66%	(11.6%)
Aluminium wires and cables	87,549	104,532	1,334	1,288	1.52%	1.2%
Special finished wires and cables						
Aluminium wires and cables	553	—	208	—	37.7%	—
Semi-finished wires						
Bare copper wires	—	22,038	—	63	—	0.3%
Aluminium rods	26,894	38,624	(402)	764	(1.5%)	2.0%
Cast-rolled coil	2,173	295,805	(376)	(14,359)	(17.3%)	(4.9%)
Others (aluminum billet)	48,071	2,699	(20)	123	(0.1%)	4.6%
	166,194	470,361	798	(12,893)	0.5%	(2.7%)

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 RMB166.2 million, representing a decrease of approximately 64.7% compared to that of the corresponding period in 2022. The decrease in revenue was mainly due to the decrease in sale of cast-rolled coil of approximately RMB293.6 million from Yaan Baosheng Material Company Limited* (雅安寶盛金屬材料有限公司) (“**Yaan Baosheng**”), an indirectly wholly owned subsidiary of the Company, attributing to the reduction of the aluminum cast-rolled coil business of the Group this year, and the disposal of the machinery and equipment of Yaan Baosheng.

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 decreased from RMB483.3 million for the nine months ended 30 September 2022 to RMB165.4 million for the nine months ended 30 September 2023, representing a decrease of RMB317.9 million, or 65.8%. The decrease of cost of sales was due to the decrease in production volume of aluminum cast-rolled coil from Yaan Baosheng.

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

For the nine months ended 30 September 2023, our gross profit amounted to RMB0.8 million, representing gross profit margin of 0.5%. For the nine months ended 30 September 2022, our gross loss amounted to RMB12.9 million, while our gross loss margin was 2.7%. Our gross profit for the Period was too low mainly attributable to: (i) the reduction in manufacturing and sales of wires and cables for the Period as compared with that of the corresponding period; while no changes was recorded for fixed costs, depreciation of equipment and others, which diluted the gross profit of our products; (ii) the changes of our product mix during the Period, among which our main cable products recorded a lower revenue due to the recession of the real estate industry this year and the gross profit of aluminium products, such as aluminium rods with a relatively high revenue, was too low; and (iii) the average gross profit for the same period this year has increased compared with last year. Among the consolidated gross profits last year, we recorded gross losses for aluminum cast-rolled coil; while we have reduced the production volume of such products, which resulted in the increased in overall gross profits.

Other income and gains

Other income and gains decreased from approximately RMB15.4 million for the nine months ended 30 September 2022 to approximately RMB5.9 million for the nine months ended 30 September 2023. The decrease was mainly attributable to the decrease in the government grants and subsidy received of approximately RMB9.1 million as a result of the decrease in the sales of cast-rolled coil during the Period, resulting in a decrease in government grants for value-added tax levied immediately returned for the recycling of scrap materials.

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 RMB313.3 million or 69.2% during the Period as compared with that of the corresponding period in 2022 as a result of the decrease in transportation expenses and other expenses due to the decline in sales and marketing revenue during the Period.

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, as well as the expenses incurred for the disposal of assets of Yaan Baosheng during the Period.

Administrative and other expenses increased from RMB16.2 million for the nine months ended 30 September 2022 to RMB29.1 million for the nine months ended 30 September 2023, representing an increase of RMB12.9 million, or 79.6%; while the increase in other expenses was relatively high as compared with that of the corresponding period of last year, which is attributed to a loss from the disposal of assets of RMB11.0 million, as a result of the loss recorded for the machinery and equipment of Yaan Baosheng (the "**Assets**") from the disposal of its aluminum cast-rolled coil production line.

The Assets were disposed of by the Company to an independent third party in a major transaction of the Company pursuant to a sale and purchase agreement dated 30 August 2023 (for details of this major transaction (disposal) of the Company, please refer to the announcements dated 31 August 2023 and the circular dated 6 October 2023 of the Company).

Finance costs

Finance costs of the Group had decreased from approximately HK\$10.5 million for the nine months ended 30 September 2022 to approximately HK\$6.7 million for the nine months ended 30 September 2023. The decrease was mainly due to the decrease in average amount of borrowings during the nine months ended 30 September 2023. The finance borrowings for the Period decreased by RMB67.2 million as compared with that of the corresponding period of last year, due to the decrease in loans from financial institutions in accordance with the decline in the business of Yaan Baosheng.

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 2023, the Group recorded a tax credit of approximately RMB6.3 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 2023, a loss attributable to the owners of the Company of approximately RMB23.1 million, representing an increase of approximately RMB2.1 million comparing to the corresponding period in 2022, as a result of the combined effects as discussed above.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2023.

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

- (i) Currently, due to the huge market demand for power batteries and the high growth rate of the industry, after the two years of continuous search, the Group started to invest in the new energy field in the second half of the year, and selected Bazhong City of Sichuan Province, an area with policy and geographical advantages, to build a production line for the production of carbon nanotubes and auxiliary products of conductive agents, and the trial production will be commenced in around March of next year.
- (ii) Due to the current downturn in the real estate market and the low gross profits in the aluminium cast-rolled coil production industry resulted from the introduction of tax policies in the areas of waste recycling and production in the past two years, the Group disposed of the machinery and equipment of Yaan Baosheng's aluminum rolls production line and ceased the production of aluminium cast-rolled coil in October this year.

DIVIDENDS

The Board resolved not to declare any dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: 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 2023 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 2023 and up to the date of this report, other than the code provision C.2.1. The code provision C.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 code provision C.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 2023 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 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 2023, 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	38.18%
Mr. Wang Xiaozhong	Interest in controlled corporation (<i>Note 3</i>)	99,760,000	10.84%
Ms. Luo Xi	Interest in controlled corporation (<i>Note 4</i>) Beneficial owner	6,350,000 2,160,000	0.69% 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 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 2023, 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 2023, 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 (Note 1)	351,280,000	38.18%
Mr. Dang Jun	Interest held jointly with another person (Note 2)	351,280,000	38.18%
Ms. Li Li	Interest of spouse (Note 3)	351,280,000	38.18%
Mr. Fu Chuanrong	Beneficial owner	120,630,000	13.10%
Xseven Investment	Beneficial owner (Note 4)	99,760,000	10.84%
Ms. Gao Hong	Interest of spouse (Note 5)	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. The Shares were held 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 2023, 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 2023.

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. As of 1 January 2023 and 30 September 2023, respectively, the number of shares options available for grant under the Share Option Scheme was 80,000,000 shares. 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

On 30 August 2023, Sichuan Saftower, an indirect wholly owned subsidiary of the Company, as vendor, and Taizhou Heyu New Material Technology Co., Ltd.* (台州合裕新材料科技有限公司) (“**Taizhou Heyu**”), an independent third party, as purchaser, entered into a sale and purchase agreement, pursuant to which Sichuan Saftower agreed to sell, and Taizhou Heyu agreed to purchase the Assets subject to the terms and conditions thereunder (the “**Disposal**”). The Disposal constituted a major transaction of the Company pursuant to the GEM Listing Rules. For details, please refer to the announcements dated 31 August 2023 and the Circular dated 6 October 2023 of the Company.

Save as disclosed above, there is no significant event occurred subsequent to 30 September 2023 and up to the date of this report which requires disclosure.

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 D.3.3 and D.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 2023 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 2023 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, 14 November 2023

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 Stock Exchange’s website at www.hkexnews.hk 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.