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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 2022**

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 six months ended 30 June 2022. This announcement, containing the full text of the interim report of the Company for the six months ended 30 June 2022 (the “**2022 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 to accompany preliminary announcement of the interim results. Printed version of the 2022 Interim Report will be despatched to the Shareholders of the Company and published on the websites of the Company at [www.saftower.cn](http://www.saftower.cn) and the Stock Exchange at [www.hkexnews.hk](http://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 August 2022

*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 website ([www.hkexnews.hk](http://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](http://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

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

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 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  
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  
(on or before 14 August 2022)

17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong  
(on or after 15 August 2022)

## **STOCK CODE**

8623

## **COMPANY'S WEBSITE**

[www.saftower.cn](http://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 2022, together with the unaudited comparative figures for the corresponding period in 2021 as follows:

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

*For the six months ended 30 June 2022*

|  | Notes | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  |       | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| <b>Revenue</b>   | 7     | <b>349,490</b>                 | 204,537                        | <b>207,375</b>                 | 118,550                        |
| Cost of sales  |       | <b>(355,468)</b>               | (196,152)                      | <b>(213,424)</b>               | (114,786)                      |
| <b>Gross (loss) profit</b>                                   |       | <b>(5,978)</b>                 | 8,385                          | <b>(6,049)</b>                 | 3,764                          |
| Other income   | 8     | <b>12,763</b>                  | 3,036                          | <b>7,055</b>                   | 1,119                          |
| Selling and distribution expenses                            |       | <b>(3,236)</b>                 | (1,566)                        | <b>(1,859)</b>                 | (741)                          |
| Administrative and other expenses                            |       | <b>(10,242)</b>                | (11,489)                       | <b>(3,792)</b>                 | (4,758)                        |
| Finance costs  | 9     | <b>(7,830)</b>                 | (4,649)                        | <b>(5,156)</b>                 | (2,368)                        |
| <b>Loss before income tax expense</b>                        | 10    | <b>(14,523)</b>                | (6,283)                        | <b>(9,801)</b>                 | (2,984)                        |
| Income tax credit  | 11    | <b>1,539</b>                   | 891                            | <b>1,170</b>                   | 578                            |
| <b>Loss for the period</b>                                   |       | <b>(12,984)</b>                | (5,392)                        | <b>(8,631)</b>                 | (2,406)                        |
| <b>Other comprehensive income:</b>                           |       |                                |                                |                                |                                |
| Item that may be reclassified subsequently to profit or loss |       |                                |                                |                                |                                |
| Exchange differences on translating foreign operations       |       | <b>30</b>                      | (299)                          | <b>(3)</b>                     | (344)                          |
| <b>Total comprehensive income for the period</b>             |       | <b>(12,954)</b>                | (5,691)                        | <b>(8,634)</b>                 | (2,750)                        |

|   | Notes | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|---|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   |       | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| <b>Loss for the period attributable to:</b>   |       |                                |                                |                                |                                |
| Owners of the Company   |       | (12,013)                       | (5,240)                        | (7,480)                        | (2,149)                        |
| Non-controlling interests   |       | (971)                          | (152)                          | (1,151)                        | (257)                          |
|   |       | <b>(12,984)</b>                | <b>(5,392)</b>                 | <b>(8,631)</b>                 | <b>(2,406)</b>                 |
| <b>Total comprehensive income for the period attributable to:</b>   |       |                                |                                |                                |                                |
| Owners of the Company   |       | (11,983)                       | (5,539)                        | (7,483)                        | (2,493)                        |
| Non-controlling interests   |       | (971)                          | (152)                          | (1,151)                        | (257)                          |
|   |       | <b>(12,954)</b>                | <b>(5,691)</b>                 | <b>(8,634)</b>                 | <b>(2,750)</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   | 13    | (1.31)                         | (0.65)                         | (0.81)                         | (0.26)                         |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

|  | Notes | 30 June<br>2022<br>RMB'000<br>(unaudited) | 31 December<br>2021<br>RMB'000<br>(audited) |
|--|-------|---|---|
| <b>ASSETS AND LIABILITIES</b>                          |       |   |   |
| <b>Non-current assets</b>                              |       |   |   |
| Property, plant and equipment                          | 14    | 142,849                                   | 137,017                                     |
| Goodwill   | 20    | 597                                       | 597   |
| Intangible assets                                      |       | 189                                       | 284   |
| Deferred tax assets                                    |       | 3,992                                     | 4,442                                       |
| Right-of-use assets                                    |       | 3,934                                     | 8,991                                       |
| Prepayments and deposits                               | 15    | 13,570                                    | 7,720                                       |
|  |       | <b>165,131</b>                            | 159,051                                     |
| <b>Current assets</b>                                  |       |   |   |
| Inventories  |       | 42,830                                    | 20,409                                      |
| Trade and bills receivables                            | 15    | 189,480                                   | 214,597                                     |
| Prepayments, deposits and other receivables            | 15    | 46,163                                    | 67,717                                      |
| Amount due from a shareholder                          |       | –   | 169   |
| Financial assets at fair value through profit and loss |       | –   | 1,200                                       |
| Cash and cash equivalents                              |       | 2,112                                     | 6,668                                       |
|  |       | <b>280,585</b>                            | 310,760                                     |
| <b>Total assets</b>                                    |       | <b>445,716</b>                            | 469,811                                     |
| <b>Current liabilities</b>                             |       |   |   |
| Contract liabilities                                   |       | 820                                       | 23,064                                      |
| Trade payables   | 16    | 99,526                                    | 65,545                                      |
| Accruals and other payables                            | 16    | 21,423                                    | 36,383                                      |
| Amount due to a shareholder                            |       | 7,771                                     | 7,865                                       |
| Amount due to non-controlling interest                 |       | –   | 1,800                                       |
| Borrowings   | 17    | 160,345                                   | 166,658                                     |
| Deferred income  |       | 368                                       | 368   |
| Lease liabilities                                      |       | 507                                       | 1,626                                       |
| Income tax payable                                     |       | 251                                       | 36  |
|  |       | <b>291,011</b>                            | 303,345                                     |
| <b>Net current (liabilities) assets</b>                |       | <b>(10,426)</b>                           | 7,415                                       |
| <b>Total assets less current liabilities</b>           |       | <b>154,705</b>                            | 166,466                                     |

|   | Notes | 30 June<br>2022<br>RMB'000<br>(unaudited) | 31 December<br>2021<br>RMB'000<br>(audited) |
|---|-------|---|---|
| <b>Non-current liabilities</b>                      |       |   |   |
| Borrowings  | 17    | 1,507                                     | 1,459                                       |
| Deferred income                                     |       | 1,533                                     | 1,717                                       |
| Deferred tax liabilities                            |       | 2,711                                     | 1,227                                       |
| Lease liabilities                                   |       | 817                                       | 972   |
|   |       | <b>6,568</b>                              | 5,375                                       |
| <b>Net assets</b>                                   |       |   |   |
|   |       | <b>148,137</b>                            | 161,091                                     |
| <b>EQUITY</b>                                       |       |   |   |
| <b>Equity attributable to owners of the Company</b> |       |   |   |
| Share capital                                       | 18    | 8,222                                     | 8,222                                       |
| Reserves  |       | 113,082                                   | 125,065                                     |
|   |       | <b>121,304</b>                            | 133,287                                     |
| <b>Non-controlling interests</b>                    |       |   |   |
|   |       | <b>26,833</b>                             | 27,804                                      |
| <b>Total equity</b>                                 |       |   |   |
|   |       | <b>148,137</b>                            | 161,091                                     |

\* Represents the amount less than RMB1,000

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

|   | Equity attributable to owners of the Company |                          |                             |                                     |                              |                               |                      |                                      |                  |
|---|--|--------------------------|-----------------------------|-------------------------------------|------------------------------|-------------------------------|----------------------|--------------------------------------|------------------|
|   | Share capital<br>RMB'000<br>(Note 18)        | Share premium<br>RMB'000 | Capital reserves<br>RMB'000 | Foreign exchange reserve<br>RMB'000 | Retained earnings<br>RMB'000 | Statutory reserves<br>RMB'000 | Sub-total<br>RMB'000 | Non-controlling interests<br>RMB'000 | Total<br>RMB'000 |
| <b>At 1 January 2022</b>  | <b>8,222</b>                                 | <b>37,111</b>            | <b>69,696</b>               | <b>(474)</b>                        | <b>11,002</b>                | <b>7,730</b>                  | <b>133,287</b>       | <b>27,804</b>                        | <b>161,091</b>   |
| Loss for the period   | -  | -                        | -                           | -                                   | (12,013)                     | -                             | (12,013)             | (971)                                | (12,984)         |
| Other comprehensive income  | -  | -                        | -                           | 30                                  | -                            | -                             | 30                   | -                                    | 30               |
| Total comprehensive income for the period                             | -  | -                        | -                           | 30                                  | (1,293)                      | -                             | (11,983)             | (971)                                | (12,954)         |
| <b>At 30 June 2022</b>  | <b>8,222</b>                                 | <b>37,111</b>            | <b>69,696</b>               | <b>(444)</b>                        | <b>(1,011)</b>               | <b>7,730</b>                  | <b>121,304</b>       | <b>26,833</b>                        | <b>148,137</b>   |
| <b>At 1 January 2021</b>  | 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)) | 996  | 6,470                    | -                           | -                                   | -                            | -                             | 7,466                | -                                    | 7,466            |
| Acquisition of a subsidiary   | -  | -                        | -                           | -                                   | -                            | -                             | -                    | 3,183                                | 3,183            |
| <b>At 30 June 2021</b>  | <b>8,222</b>                                 | <b>37,112</b>            | <b>69,696</b>               | <b>(834)</b>                        | <b>30,990</b>                | <b>7,726</b>                  | <b>152,912</b>       | <b>28,190</b>                        | <b>181,102</b>   |

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.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

|   | Notes | Six months ended 30 June       |                                |
|---|-------|--------------------------------|--------------------------------|
|   |       | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| <b>Cash flows from operating activities</b>                         |       |                                |                                |
| Cash (used in)/generated from operations                            |       | 15,569                         | (14,482)                       |
| Income tax paid   |       | –                              | (544)                          |
| <b>Net cash (used in)/generated from operating activities</b>       |       | <b>15,569</b>                  | <b>(15,026)</b>                |
| <b>Cash flows from investing activities</b>                         |       |                                |                                |
| Purchase of property, plant and equipment                           |       | (10,455)                       | (11,750)                       |
| Purchase of intangible assets                                       |       | –                              | (69)                           |
| Acquisition of a subsidiary, net of cash acquired                   |       | –                              | 820                            |
| Interest received   |       | 19                             | 19                             |
| <b>Net cash used in investing activities</b>                        |       | <b>(10,436)</b>                | <b>(10,980)</b>                |
| <b>Cash flows from financing activities</b>                         |       |                                |                                |
| Proceeds from borrowings  |       | 91,420                         | 52,300                         |
| Repayments of borrowings  |       | (91,994)                       | (43,121)                       |
| Interest paid on borrowings   |       | (7,912)                        | (4,185)                        |
| Repayments of lease liabilities                                     |       | (1,274)                        | (146)                          |
| Interest paid on lease liabilities                                  |       | (23)                           | (26)                           |
| Proceeds from issue of shares                                       |       | –                              | 7,466                          |
| Advance from a shareholder  |       | 94                             | 11,717                         |
| <b>Net cash generated from financing activities</b>                 |       | <b>(9,689)</b>                 | <b>24,005</b>                  |
| <b>Net (decrease)/increase in cash and cash equivalents</b>         |       | <b>(4,556)</b>                 | <b>(2,001)</b>                 |
| <b>Cash and cash equivalents at beginning of period</b>             |       | <b>6,668</b>                   | <b>12,073</b>                  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> |       | <b>–</b>                       | <b>(299)</b>                   |
| <b>Cash and cash equivalents at end of period</b>                   |       | <b>2,112</b>                   | <b>9,773</b>                   |

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

## 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 2021 of the Company dated 31 March 2022 (the “**2021 Annual 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 2021 Annual Report except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2022. 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 ACCOUNTING POLICIES AND DISCLOSURES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those set out in the Group's annual financial statements for the year ended 31 December 2021.

In the current interim period, the Group has adopted, for the first time, the following revised HKFRSs for the preparation of the Group's condensed consolidated financial statements.

|   |  |
|---|--|
| Amendments to HKFRS 3                   | Reference to the Conceptual Framework  |
| Amendments to HKAS 16                   | Property, Plant and Equipment: Proceeds before Intended Use                              |
| Amendments to HKAS 37                   | Onerous Contracts — Cost of Fulfilling a Contract  |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

### **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

#### **(CONTINUED)**

The application of the revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

### **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 2021.

### **6. SEGMENT REPORTING**

#### **Operating segments**

During the six months ended 30 June 2022 and 30 June 2021, 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.

## 6. SEGMENT REPORTING (CONTINUED)

### Geographic information

The Group's revenue during the six months ended 30 June 2022 and 30 June 2021 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.

### 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<br>30 June    |                                | Three months ended<br>30 June  |                                |
|------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|            | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| Customer A | 105,050                        | N/A <sup>(1)</sup>             | 61,681                         | N/A <sup>(1)</sup>             |
| Customer B | 96,147                         | N/A <sup>(1)</sup>             | 51,360                         | N/A <sup>(1)</sup>             |
| Customer C | N/A <sup>(1)</sup>             | 23,053                         | N/A <sup>(1)</sup>             | 14,780                         |
| Customer D | N/A <sup>(1)</sup>             | 28,290                         | N/A <sup>(1)</sup>             | N/A <sup>(1)</sup>             |

(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<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(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>113,224</b>                 | 204,376                        | <b>72,544</b>                  | 118,389                        |
| Manufacturing and sales of aluminium products, recognised at a point in time | <b>236,266</b>                 | 161                            | <b>134,831</b>                 | 161                            |
|  | <b>349,490</b>                 | 204,537                        | <b>207,375</b>                 | 118,550                        |

## 8. OTHER INCOME

|  | Notes | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  |       | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| <b>Other income</b>  |       |                                |                                |                                |                                |
| Interest income  |       | 1,226                          | 19                             | 608                            | 17                             |
| Government grants and subsidies  | (i)   | 9,920                          | 2,347                          | 4,726                          | 687                            |
| Sales of scrap metals and consumables  |       | 4                              | 134                            | —                              | 50                             |
| Rental income  | (ii)  | 195                            | 249                            | 195                            | 124                            |
| Net realised and unrealised gain/(loss) on financial assets at fair value through profit or loss |       | 739                            | —                              | 975                            | —                              |
| Others   |       | 679                            | 287                            | 551                            | 241                            |
|  |       | <b>12,763</b>                  | 3,036                          | <b>7,055</b>                   | 1,119                          |

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 2022, the Group leased its machine to an independent third party with the lease period within one year.

## 9. FINANCE COSTS

|  | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| Interest expenses on bank and other borrowings       | 7,623                          | 4,586                          | 4,834                          | 2,356                          |
| Interest expenses on lease liabilities               | 201                            | 26                             | 192                            | 12                             |
| Others   | 159                            | 205                            | 159                            | —                              |
| Finance expenses                                     | 7,983                          | 4,817                          | 5,185                          | 2,368                          |
| Finance cost capitalised in construction-in-progress | (153)                          | (168)                          | (29)                           | —                              |
| Finance costs recognised in profit or loss           | 7,830                          | 4,649                          | 5,156                          | 2,368                          |

## 10. LOSS BEFORE INCOME TAX EXPENSE

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

|  | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| Costs of inventories recognised as expense   | 355,468                        | 196,152                        | 213,424                        | 114,786                        |
| Depreciation of property, plant and equipment  | 4,768                          | 3,816                          | 2,343                          | 1,906                          |
| Depreciation of right-of-use assets  | 1,645                          | 483                            | 1,196                          | 238                            |
| Amortisation of intangible assets  | 19                             | 17                             | 10                             | 10                             |
| Research and development costs (other than amortisation costs)                                     | 455                            | 562                            | 207                            | 274                            |
| Release of deferred income   | (184)                          | (184)                          | (92)                           | (92)                           |
| Allowance for expected credit losses ("ECLs") on trade receivables (Note 15)                       | 622                            | 1,621                          | (942)                          | 333                            |
| Employee costs (including directors' remuneration, wages, salaries, allowances and other benefits) | 6,678                          | 5,061                          | 3,850                          | 2,649                          |
| Contributions to defined contribution retirement plan  | 1,346                          | 964                            | 760                            | 387                            |
|  | <b>8,024</b>                   | <b>6,025</b>                   | <b>4,610</b>                   | <b>3,036</b>                   |

## 11. 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:

|                                     | Six months ended<br>30 June    |                                | Three months ended<br>30 June  |                                |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                     | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) |
| Current income tax expense (credit) | 252                            | 60                             | (504)                          | 25                             |
| Deferred tax (credit)               | (1,791)                        | (951)                          | (666)                          | (603)                          |
| Income tax (credit)                 | (1,539)                        | (891)                          | (1,170)                        | (578)                          |

No Hong Kong profits tax was provided during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil) as the Group has no estimated assessable profit in Hong Kong during the period (six months ended 30 June 2021: 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 2022 and 30 June 2021.

\* English translated names are for identification purpose only

## 11. INCOME TAX CREDIT (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 2022 and 30 June 2021. 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 2022 and 30 June 2021.

## 13. 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 six months ended 30 June 2022 of approximately RMB(12,013,000) (2021: loss attributable to owners of the Company of approximately RMB5,240,000), and the weighted average number of ordinary shares of 920,000,000 in issue (six months ended 30 June 2021: 809,282,000 shares of the Company in issue).

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 2022 and 30 June 2021.

## 14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of machinery and office equipment with a cost of approximately RMB10,455,000 (six months ended 30 June 2021: RMB6,274,000). No property, plant and equipment was disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

\* English translated names are for identification purpose only

## 15. TRADE AND OTHER RECEIVABLES

|   | <b>30 June<br/>2022<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2021<br>RMB'000<br>(audited) |
|---|---|---|
| <b>Current:</b>                               |   |   |
| Trade receivables                             | <b>190,012</b>                                      | 220,043                                     |
| Less: Allowance for ECLs on trade receivables | <b>(622)</b>  | (5,546)                                     |
|   | <b>189,480</b>                                      | 214,497                                     |
| Bills receivables                             | —   | 100   |
|   | <b>189,480</b>                                      | 214,597                                     |
| Prepayments                                   | <b>243</b>  | 447   |
| Prepayments to suppliers                      | <b>3,507</b>  | 11,594                                      |
| Loan receivables                              | <b>34,500</b>                                       | 34,500                                      |
| Others  | <b>7,913</b>  | 21,176                                      |
|   | <b>46,163</b>                                       | 67,717                                      |
| <b>Non-current:</b>                           |   |   |
| Prepayments                                   | <b>12,894</b>                                       | 6,095                                       |
| Deposits                                      | <b>676</b>  | 1,625                                       |
|   | <b>13,570</b>                                       | 7,720                                       |
|   | <b>59,733</b>                                       | 75,437                                      |

The credit period granted to customers is ranging from 0 to 365 days as at 30 June 2022 (31 December 2021: 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:

|                 | <b>30 June<br/>2022<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2021<br>RMB'000<br>(audited) |
|-----------------|---|---|
| 0 to 60 days    | <b>22,589</b>                                       | 45,354                                      |
| 61 to 180 days  | <b>57,734</b>                                       | 62,800                                      |
| 181 to 365 days | <b>38,489</b>                                       | 50,604                                      |
| Over 365 days   | <b>70,668</b>                                       | 61,285                                      |
|                 | <b>189,480</b>                                      | 220,043                                     |

## 16. TRADE AND OTHER PAYABLES

|  | <b>30 June<br/>2022<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2021<br>RMB'000<br>(audited) |
|--|---|---|
| Trade payables   | <b>99,526</b>                                       | 65,545                                      |
| Accrued operating expenses                             | <b>371</b>  | 4,831                                       |
| Accrued employee benefit expenses                      | <b>1,261</b>  | 2,065                                       |
| Payables for purchase of property, plant and equipment | <b>5,324</b>  | 8,309                                       |
| Other taxes payables                                   | <b>2,937</b>  | 11,229                                      |
| Interest payables                                      | <b>1,325</b>  | 3,696                                       |
| Deposits received                                      | <b>5,837</b>  | 2,028                                       |
| Other payables and accruals                            | <b>4,368</b>  | 4,225                                       |
|  | <b>120,949</b>                                      | 101,928                                     |

The credit period on purchases from suppliers is generally ranging from 0 to 120 days as at 30 June 2022 (31 December 2021: 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:

|                 | <b>30 June<br/>2022<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2021<br>RMB'000<br>(audited) |
|-----------------|---|---|
| 0 to 60 days    | <b>65,183</b>                                       | 26,057                                      |
| 61 to 180 days  | <b>17,054</b>                                       | 24,889                                      |
| 181 to 365 days | <b>10,815</b>                                       | 10,479                                      |
| Over 365 days   | <b>6,474</b>  | 4,120                                       |
|                 | <b>99,526</b>                                       | 65,545                                      |

## 17. BORROWINGS

|   | <b>30 June<br/>2022<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2021<br>RMB'000<br>(audited) |
|---|---|---|
| <b>Current:</b>   |   |   |
| Secured and guaranteed interest-bearing bank borrowings repayable within one year ( <i>Note (i) and (ii)</i> )  | <b>105,097</b>                                      | 98,300                                      |
| Secured and guaranteed interest-bearing other borrowings repayable within one year ( <i>Note (i) and (ii)</i> ) | <b>21,248</b>                                       | 31,600                                      |
| Unsecured interest-bearing other borrowings repayable within one year ( <i>Note (iii)</i> )                     | <b>34,000</b>                                       | 34,000                                      |
| Sale and leaseback liabilities  | <b>439</b>  | 2,758                                       |
|   | <b>160,345</b>                                      | 166,658                                     |
| <b>Non-current:</b>   |   |   |
| Sale and leaseback liabilities  | <b>1,507</b>  | 1,459                                       |

## 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.
- (iii) The other borrowings are fixed interest at 7.5% per annum, unsecured and due to be settled on demand.

## 17. BORROWINGS (CONTINUED)

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

|                              | <b>30 June<br/>2022<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2021<br>RMB'000<br>(audited) |
|------------------------------|---|---|
| Within one year or on demand | <b>159,906</b>                                      | 163,900                                     |

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

|  | <b>30 June<br/>2022<br/>RMB'000<br/>(unaudited)</b> | 31 December<br>2021<br>RMB'000<br>(audited) |
|--|---|---|
| Within one year or on demand           | <b>439</b>  | 2,758                                       |
| In the second year                     | <b>1,507</b>  | 1,385                                       |
| In the third to fifth years, inclusive | <b>—</b>  | 74  |
|  | <b>1,946</b>  | 4,217                                       |

## 18. SHARE CAPITAL

|   | Number        | Amount<br>RMB'000 |
|---|---------------|-------------------|
| <b>Authorised:</b>  |               |                   |
| At 1 January 2021, 31 December 2021<br>(audited) and 30 June 2022 (unaudited) | 4,000,000,000 | 35,994            |
| <b>Issued and fully paid:</b>   |               |                   |
| At 1 January 2021   | 800,000,000   | 7,226             |
| Issue of shares upon subscription ( <i>Note (a)</i> )                         | 120,000,000   | 996               |
| At 31 December 2021 (audited) and 30 June<br>2022 (unaudited)                 | 920,000,000   | 8,222             |

\* Represents the amount less than RMB1,000

*Note:*

- (a) 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 2022 and 31 December 2021, 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 2022 and 31 December 2021, 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:

|   | <b>Six months ended 30 June</b> |             |
|---|---------------------------------|-------------|
|   | <b>2022</b>                     | 2021        |
|   | <b>RMB'000</b>                  | RMB'000     |
|   | <b>(unaudited)</b>              | (unaudited) |
| Salaries, allowances and other benefits               | <b>663</b>                      | 533         |
| Contributions to defined contribution retirement plan | <b>67</b>                       | 72          |
|   | <b>730</b>                      | 605         |

- (d) As at 30 June 2022 and 31 December 2021, 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.

# 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 aluminum cast-rolled coil and aluminum plate manufacturing of foil, with integrated production facilities situated in Chengdu, Guangyuan and Yaan 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 2022 (the "**Period**"), 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.

## FUTURE PROSPECTS

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 has enacted policies for 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 the Group's operation. The Group is evaluating various opportunities and will issue announcements to inform investors and shareholders according to the GEM Listing Rules once any of these opportunities are materialised.

Considering the cost of metal has reached its peak during the Period and the cost is expected to decrease gradually, together with the integrated resources, and the 30% value added tax levying and immediate refund enjoyed by the Group as well as the subsidy provided by the Yaan local government, the Group may benefit from these

factors and capture the opportunities. As the Group is in the course of developing the metal recycling system through Yaan Baosheng Metal Material Company Limited\* (雅安寶盛金屬材料有限公司), a PRC licensed aluminium recycler, it is contemplated that the Yaan local government will grant more subsidies to the Group sustainably in the future.

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 2022 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<br>period ended 30 June | Revenue                        |                                | Gross (loss) profit            |                                | Gross (loss) profit margin |             |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------|-------------|
|   | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022<br>RMB'000<br>(unaudited) | 2021<br>RMB'000<br>(unaudited) | 2022                       | 2021        |
| Classic finished wires and cables         |                                |                                |                                |                                |                            |             |
| Copper wires and cables                   | 6,367                          | 17,943                         | (608)                          | 1,038                          | (9.5%)                     | 5.8%        |
| Aluminium wires and cables                | 66,178                         | 46,131                         | 614                            | 3,118                          | 0.9%                       | 6.8%        |
| Special finished wires and cables         |                                |                                |                                |                                |                            |             |
| Aluminium wires and cables                | —                              | 23,053                         | —                              | 3,039                          | —                          | 13.2%       |
| Semi-finished wires                       |                                |                                |                                |                                |                            |             |
| Bare copper wires                         | 22,038                         | 75,278                         | 63                             | 1,085                          | 0.3%                       | 1.4%        |
| Aluminium rods                            | 18,641                         | 41,970                         | 489                            | 87                             | 2.6%                       | 0.2%        |
| Cast-rolled coil                          | 235,017                        | —                              | (6,618)                        | —                              | (2.8%)                     | —           |
| Others                                    | 1,249                          | 162                            | 82                             | 18                             | 6.6%                       | 11.1%       |
|   | <b>349,490</b>                 | <b>204,537</b>                 | <b>(5,978)</b>                 | <b>8,385</b>                   | <b>(1.7%)</b>              | <b>4.1%</b> |

\* English translated name is for identification purpose only.

During the six months ended 30 June 2022, the Group generated its revenue mainly from the manufacturing and sales of wires and cables, sales of aluminium products (cast-rolled coil) in the PRC. The Group recorded a turnover of approximately RMB349.5 million for the six months ended 30 June 2022, representing an increase of approximately 70.9% as compared with that in 2021. The increase in revenue was mainly due to contribution from our new product, cast-rolled coil, of approximately RMB235.0 million from Yaan Baosheng Metal Material Company Limited\* (雅安寶盛金屬材料有限公司), a 70% owned subsidiary of the Company.

### **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 RMB196.2 million for the six months ended 30 June 2021 to RMB355.5 million for the six months ended 30 June 2022, representing an increase of RMB159.3 million, or 81.2%. The increase of cost of sales was due to the drastic increase in the average copper and aluminium prices in the market during the Period.

### **Gross (loss) profit and gross (loss) profit margin**

For the six months ended 30 June 2022, our gross loss amounted to RMB6.0 million, while our gross loss margin was 1.7%. For the six months ended 30 June 2021, our gross profit amounted to RMB8.4 million, while our gross profit margin is 4.1%. We turned into a gross loss and recording the gross loss margin was mainly attributable to the substantial increase in the cost of material due to significant increase in copper and aluminium prices during the Period as mentioned above, since the Group was unable to pass on the sudden and drastic increase in copper and aluminium prices to the products.

### **Other income and gains**

Other income and gains increased from approximately RMB3.0 million for the six months ended 30 June 2021 to approximately RMB12.8 million for the six months ended 30 June 2022. The increase is mainly due to the increase of the government grants of approximately RMB7.6 million as compared to the six months ended 30 June 2021. The increase of the government grants because of the combined effect of (1) value-added tax subsidy of approximately RMB9.7 million received from our sales of cast-rolled coil in current period which the Group has no such revenue in the comparative period and (2) approximately RMB1.6 million government grant was received for reward of the employment of disabled people in the PRC for the six months ended 30 June 2021 but no such subsidy in the period ended six months ended 30 June 2022.

\* English translated name is for identification purpose only.

## **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 increased by RMB1.7 million or 106.6% for the six months ended 30 June 2022 as a result of the increase of sales function 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) entertainment and travelling expenses and others.

Administrative and other expenses decreased from RMB11.5 million for the six months ended 30 June 2021 to RMB10.2 million for the six months ended 30 June 2022, representing a decrease of RMB1.2 million, or 10.9%. The decrease was mainly due to no material allowance for expected credit loss was recorded for the Period, as compared to the corresponding period in 2021.

## **Finance costs**

Finance costs of the Group had increased from approximately HK\$4.6 million for the six months ended 30 June 2021 to approximately HK\$7.8 million for the six months ended 30 June 2022. The increase in amount was mainly contributed to the increase in average amount of borrowings during the six months ended 30 June 2022.

## **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 six months ended 30 June 2022, the Group recorded a tax credit of approximately RMB1.5 million due to recognition of the assessable loss for the Period.

## **Loss 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 RMB12.0 million (six months ended 30 June 2021: loss of RMB5.2 million). The Directors consider that the increase in net loss was mainly attributable to the report of gross loss of approximately RMB6.0 million due to the drastic increase in the cost of raw material for the six months ended 30 June 2022.

## Use of net proceeds from the Listing

As stated in the prospectus of the Company dated 24 June 2020 (the “**Prospectus**”) and the, the Company planned to strengthen its position in the wire and cable and aluminium products industries in the PRC by implementing the following strategies (the “**Business Objectives**”):

| <b>Business Objectives as stated in the Prospectus</b>                    | <b>Actual business progress up to date of this report</b>   |
|---|---|
| Expand the existing production facilities and production plant            | Up to the date of this report, four production lines have been added to the existing production facilities  |
| Repay part of the existing loan   | Up to the date of this report, the Group repaid part of the loan owed to Zheshang Bank  |
| Fund the upfront costs for the commercial production of the Shuneng Plant | The Group has commenced commercial production in Shuneng Plant  |
| Increase sales and marketing activities                                   | Up to the date of this report, the Group has carried out a series of marketing activities, including but not limited to: (i) analysing the current market situation; (ii) liaise and provide tailor-made services and discounts to existing customers; and (iii) promotional activities |

As disclosed in the 2021 annual report of the Company, the net proceeds raised by the Company from the Listing have been fully utilised during the year ended 31 December 2021 in accordance with the Business Objectives as stated in the Prospectus.

## 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 2022, the Group had cash and cash equivalents of approximately RMB2.1 million (31 December 2021: RMB6.7 million).

As at 30 June 2022, the total equity attributable to equity holders of the Company amounted to approximately RMB121.3 million (31 December 2021: approximately RMB133.3 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 2022 was 115.4% (31 December 2021: 112.0%). During the six months ended 30 June 2022, the Group did not employ any financial instrument for hedging purpose.

## CHARGES ON GROUP'S ASSETS

As at 30 June 2022, the following assets was pledged to secure the Group's bank and other borrowings:

|                       | <b>Net carrying amounts as at 30 June 2022</b> | Net carrying amounts as at 31 December 2021 |
|-----------------------|--|---|
| <b>Pledged assets</b> | <b>RMB'000</b>                                 | <b>RMB'000</b>                              |
| Buildings             | <b>45,776</b>                                  | 46,685                                      |
| Land use rights       | <b>6,369</b>                                   | 6,460                                       |
| Plant and machinery   | <b>35,581</b>                                  | 23,523                                      |
|                       | <b>87,726</b>                                  | 76,668                                      |

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 2022 (31 December 2021: RMB Nil).

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 30 June 2022.

## **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 other public health incidents, which may cause lockdown, travel restrictions and suspension of work in the PRC or elsewhere.
- (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. In order to alleviate the above risks and uncertainties, the Board would carefully look into the business trends and examine each of the above risks and uncertainties and assess the possible impact arising therefrom on a regular basis.

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 2022.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group employed a total of 192 full-time employees (30 June 2021: 254 full-time employees). Total employee benefit expenses for the six months ended 30 June 2022 and the six months ended 30 June 2021 were approximately RMB5.6 million and approximately RMB6.0 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**

Save for 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 2022, and there was no plan for material investment or capital assets as at the date of this report.

## INTERIM DIVIDENDS

The Board resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

During the six months ended 30 June 2022, 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 2022 and up to the date of this report, other than the code provision C.2.1. CG 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 CG 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 during the six months ended 30 June 2022 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 2022, save for the compliance adviser agreement and a financial 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 June 2022, 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/<br>chief executive | Capacity/<br>Nature of interest   | Number<br>of Shares<br>interested | Approximate<br>percentage of<br>interest |
|--------------------------------------|---|-----------------------------------|--|
| Mr. Dang Fei                         | Interest in controlled corporation ( <i>Note 1</i> )<br>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> )<br>Beneficial owner  | 6,350,000<br>2,160,000            | 0.69%<br>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 2022, 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 2022, 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/<br/>Nature of interest</b>            | <b>Number<br/>of Shares<br/>interested<br/>(Long position)</b> | <b>Approximate<br/>percentage of<br/>interest</b> |
|----------------------------|--|--|---|
| 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 (Note 4)                          | 120,630,000  | 13.10%  |
| Xseven Investment          | Beneficial owner (Note 5)                          | 99,760,000   | 10.84%  |
| Ms. Gao Hong               | Interest of spouse (Note 6)                        | 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 2022, 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 2022.

## 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 2022 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 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, 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 2022 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 2022 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 August 2022

*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 website at [www.hkexnews.hk](http://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](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.