

SAFTOWER

—— 蜀塔集团 ——

中國蜀塔國際控股集團有限公司

China Saftower International Holding Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8623



FIRST QUARTERLY
REPORT
2023

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

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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

CL Partners CPA Limited

(*Certified Public Accountants*)

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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

8623

COMPANY'S WEBSITE

www.saftower.cn

FIRST 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 three months ended 31 March 2023, 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 three months ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	4	75,004	142,115
Cost of sales		(75,122)	(142,044)
Gross (loss) profit		(118)	71
Other income and other losses, net	5	1,078	5,708
Selling and distribution expenses		(383)	(1,377)
Administrative and other expenses		(5,650)	(6,450)
Finance costs	6	(1,812)	(2,674)
Loss before income tax expense	7	(6,885)	(4,722)
Income tax credit	8	1,439	369
Loss for the period		(5,446)	(4,353)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		—	33
Total comprehensive income for the period		(5,446)	(4,320)
(Loss)/Profit attributable to:			
Owners of the Company		(4,577)	(4,533)
Non-controlling interests		(869)	180
		(5,446)	(4,353)
Total comprehensive income for the period attributable to:			
Owners of the Company		(4,577)	(4,500)
Non-controlling interests		(869)	180
		(5,446)	(4,320)
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	(0.50)	(0.49)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2023

Equity attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	(Accumulated loss) Retained earnings 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 (audited)	8,222	37,111	69,696	(10,525)	7,730	(428)	111,806	23,703	135,509
Loss and total comprehensive expense for the period	–	–	–	(4,577)	–	–	(4,577)	(869)	(5,466)
Balance as at 31 March 2023 (unaudited)	8,222	37,111	69,696	(15,102)	7,730	(428)	107,229	22,834	130,063
Balance as at 1 January 2022 (audited)	8,222	37,111	69,696	11,002	7,730	(474)	133,287	27,804	161,091
(Loss)/Profit for the period	–	–	–	(4,533)	–	–	(4,533)	180	(4,353)
Other comprehensive income	–	–	–	–	–	33	33	–	33
Total comprehensive income	–	–	–	(4,533)	–	33	(4,500)	180	(4,320)
Transfer to statutory reserves	–	–	–	(227)	227	–	–	–	–
Balance as at 31 March 2022 (unaudited)	8,222	37,111	69,696	6,242	7,957	(441)	128,787	27,984	156,771

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 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 sales of aluminium products in the PRC.

The shares of the Company (the "**Share(s)**") were listed on GEM of the Stock Exchange on 10 July 2020 (the "**Listing Date**") by way of share offer (the "**Share Offer**").

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

These unaudited consolidated financial statements of the Group for the three months ended 31 March 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 Rule.

These unaudited consolidated financial statements for the three months ended 31 March 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 ended 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 three months ended 31 March 2023 and there have been no significant changes to the accounting policies applied in these unaudited consolidated financial statements for the three months ended 31 March 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 three months ended 31 March 2023 have been prepared under the historical cost basis.

These unaudited consolidated financial statements for the three months ended 31 March 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 three months ended 31 March 2023 and 31 March 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 three months ended 31 March 2023 and 31 March 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 three months ended 31 March 2023 and 31 March 2022.

	Three months ended 31 March	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
<i>Type of goods</i>		
Manufacturing and sales of wires and cables, recognised at a point in time	24,761	40,680
Manufacturing and sales of aluminium products, recognised as a point in time	50,243	101,435
	75,004	142,115

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

5. OTHER INCOME AND OTHER LOSSES, NET

	Notes	Three months ended 31 March	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest income		639	618
Government grants and subsidies	(i)	182	5,194
Sales of scrap metals and consumables		6	4
Rental income	(ii)	112	—
Net realised and unrealised gain/(loss) on financial assets at fair value through profit or loss		—	(236)
Others		139	128
		1,078	5,708

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 three months ended 31 March 2023, the Group leased its machine to an independent third party with the lease period within one year.

6. FINANCE COSTS

	Three months ended 31 March	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	1,640	2,789
Interest expenses on lease liabilities	91	9
Others	81	—
Finance expenses	1,812	2,798
Finance cost capitalised in construction-in-progress	—	(124)
Finance costs recognised in profit or loss	1,812	2,674

7. LOSS BEFORE INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Costs of inventories recognised as expense	75,122	142,044
Depreciation of property, plant and equipment	2,126	2,425
Depreciation of right-of-use assets	639	449
Amortisation of intangible assets	57	9
Research and development costs (other than amortisation costs)	—	248
Release of deferred income	(31)	(92)
Allowance for ECLs on trade receivables	573	1,564
Staff cost		
Employee costs (including directors' remuneration, wages, salaries, allowances and other benefits)	1,847	2,828
Contributions to defined contribution retirement plan	560	586
	2,407	3,414

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:

	Three months ended 31 March	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Current tax		
Income tax expense	—	756
Deferred tax credit	(1,439)	(1,125)
	(1,439)	(369)

No Hong Kong profits tax was provided during the three months ended 31 March 2023 (three months ended 31 March 2022: nil) as the Group has no estimated assessable profits in Hong Kong during the three months ended 31 March 2023 (three months ended 31 March 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.

Sichuan Saftower Industry Company Limited was approved as High and New Technology Enterprise by the PRC government, and accordingly, it is subject to a preferential EIT tax rate of 15% during the three months ended 31 March 2023 and 31 March 2022.

8. INCOME TAX CREDIT (CONTINUED)

Guangyuan Tongchuang New Materials Company Limited is subject to 15% income tax concession due to the fulfilment of the preferential tax policy of the development of the western region of the PRC for the three months ended 31 March 2023 and 31 March 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 2011 to 31 December 2020, and its extension policy which is effective from 1 January 2021 to 31 December 2030, EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

9. DIVIDEND

No dividend has been paid or declared by the Company during the three months ended 31 March 2023 (three months ended 31 March 2022: nil).

10. LOSS PER SHARE

The basic loss per share attributable to owners of the Company for the period is calculated based on the loss attributable to owners of the Company for the three months ended 31 March 2023 of approximately RMB4,577,000 (three months ended 31 March 2022: RMB4,533,000), and the weighted average number of ordinary Shares of 920,000,000 in issue (three months ended 31 March 2022: 920,000,000). The Company did not have any potential dilutive shares for the three months ended 31 March 2023 and 31 March 2022. Accordingly, the diluted loss per share are the same as the basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu, 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. 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 three months ended 31 March 2023, the Group continued to engage in the manufacturing and sales of wires and cables and continued to serve a large number of customers, which are mainly power companies, manufacturing enterprises, construction and renovation companies as well as trading companies which purchase products from the Group for onward sale on their own accounts.

The Group recorded a loss of approximately RMB5.4 million for the three months ended 31 March 2023 (2022: approximately RMB4.4 million). For the details of the fluctuation of financial figures, please refer to the section headed "Financial Review" below.

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.

One of the key drivers of growth in the industry is increasing demand for wires and cables in various applications, including automotive, construction, and telecommunications. The increasing demand is driven by ongoing urbanization, infrastructure development, and technological advancements, among other factors.

Moreover, the Chinese government has been investing heavily in infrastructure development, which is expected to continue in the coming years. This includes investments in power grids, high-speed railways, and 5G networks, all of which require significant amounts of wires and cables. This could create new opportunities for manufacturers and suppliers in the industry.

Another promising trend is the increasing adoption rate of renewable energy technologies, such as wind and solar power. These technologies require large amounts of wires and cables to connect power generation facilities to the grid, creating new demand for the industry.

Furthermore, as the PRC continues to develop its domestic market, there may be opportunities for manufacturers and suppliers to shift their focus from exports to the domestic market. This could help to insulate businesses from the impact of trade tensions and other external factors.

Accordingly, we are confident our financial performance will improve in the foreseeable future.

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 three months
ended 31 March

	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	—	2,834	—	(582)	—	(20.5)
Aluminium wires and cables	24,271	20,959	(90)	(194)	(0.4)	(0.9)
Special finished wires and cables						
Aluminium wires and cables	490	—	368	—	75.1	—
Semi-finished wires						
Bare copper wires	—	16,225	—	304	—	1.9
Cast-rolled coil	50,243	101,435	(396)	867	(0.8)	0.9
Others	—	662	—	(324)	—	(48.9)
	75,004	142,115	(118)	71	(0.2)	0.0

During the three months ended 31 March 2023, the Group generated its revenue mainly from the manufacturing, sales of wires and cables and sales of aluminium products (cast-rolled coil) in the PRC. The Group recorded a turnover of approximately RMB75.0 million for the three months ended 31 March 2023, representing an decrease of approximately 47.2% as compared with that in 2022. The decrease in revenue was mainly because the demand on cast-rolled coil decreased temporarily in the 1st quarter.

Cost of sales

The Group's cost of sales mainly consists of (i) raw materials costs, and (ii) finished products from sub-contractors and depreciation and overhead. The cost of sales of the Group decreased from RMB142.0 million for the three months ended 31 March 2022 to RMB75.1 million for the three months ended 31 March 2023, representing a decrease of RMB66.9 million, or 47.1%. The decrease of cost of sales was in line with revenue decline during the three months ended 31 March 2023.

Gross loss and gross loss margin

For the three months ended 31 March 2023, the Group's gross loss amounted to approximately RMB0.1 million. The Group engages in this gross loss trade because the sales of cast-rolled coil is encouraged by the government with government grant.

Other income and gains

Other income and gains decreased from approximately RMB5.7 million for the three months ended 31 March 2022 to approximately RMB1.1 million for the three months ended 31 March 2023. The decrease is mainly due to the decrease in government grants and subsidies of approximately RMB5.0 million as compared to the three months ended 31 March 2022.

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 approximately RMB994,000 or 72.2% in 2023 following the decrease of transportation frequency in 2023.

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 (v) others.

Administrative and other expenses decreased from RMB6.5 million for the three months ended 31 March 2022 to RMB5.7 million for the three months ended 31 March 2023, representing an decrease of RMB800,000, or 12.4%. The decrease was mainly due to reduction of staff cost of approximately RMB1 million as the Group optimized employee scale during the three months ended 31 March 2023.

Finance costs

Finance costs of the Group had decreased from approximately HK\$2.7 million for the three months ended 31 March 2022 to approximately HK\$1.8 million for the three months ended 31 March 2023. The decrease in amount was mainly attributed to the decrease in average amount of borrowings during the three months ended 31 March 2023.

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. The tax credit increased from approximately RMB369,000 for the three months ended 31 March 2022 to approximately RMB1.4 million for the three months ended 31 March 2023 as the recognition of deferred taxation increased.

Loss attributable to owners for the period

For the three months ended 31 March 2023, a loss attributable to the owners of the Company was approximately RMB4.6 million (three months ended 31 March 2022: RMB4.5 million) due to the combined effects as discussed above.

CONTINGENT LIABILITIES

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



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

There was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the three months ended 31 March 2023, and there was no plan for material investment or capital assets to be undertaken by the Group as at the date of this report.

DIVIDENDS

The Board resolved not to declare any dividend for the three months ended 31 March 2023 (three months ended 31 March 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 for the three months ended 31 March 2023.

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 all the code provisions of the CG Code during the Reporting Period and up to the date of this report, other than the CG 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 Reporting Period 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.

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

As at 31 March 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>)	8,510,000	0.93%

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 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 31 March 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 31 March 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 (<i>Note 1</i>)	351,280,000	38.18%
Mr. Dang Jun	Interest held jointly with another person (<i>Note 2</i>)	351,280,000	38.18%
Ms. Li Li	Interest of spouse (<i>Note 3</i>)	351,280,000	38.18%
Mr. Fu Chuannong	Beneficial owner	120,630,000	13.10%
Xseven Investment	Beneficial owner (<i>Note 4</i>)	99,760,000	10.84%
Ms. Gao Hong	Interest of spouse (<i>Note 5</i>)	99,760,000	10.84%

Notes:

1. The Shares were held beneficially by Red Fly. Red Fly is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun.
2. Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun will together control 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 beneficially by Xseven Investment. Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong.
5. Ms. Gao Hong is the spouse of Mr. Wang Xiaozhong. Under the SFO, Ms. Gao Hong is deemed to be interested in the same number of Shares owned by Mr. Wang Xiaozhong.

Save as disclosed above, as at 31 March 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 three months ended 31 March 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. 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 are no significant events occurred subsequent to 31 March 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 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 three months ended 31 March 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, 15 May 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 Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication. This report will also be published on the Company’s website at www.saftower.cn.

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

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