This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

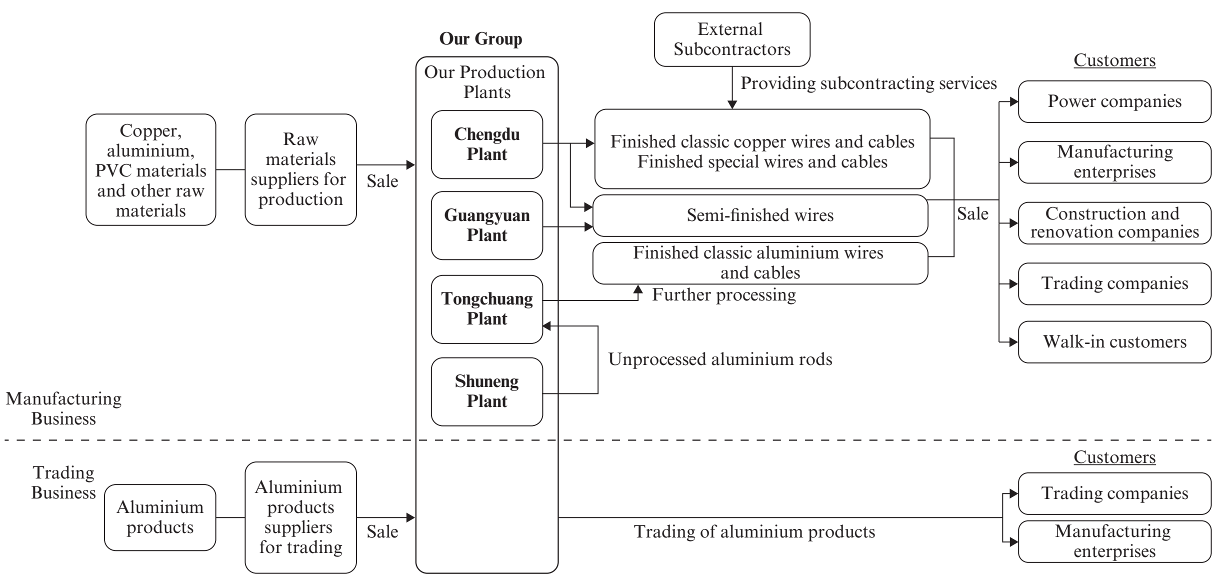
Founded in 2004, we are a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu and Guangyuan of Sichuan Province. According to the F&S Report, in 2019, (i) we ranked fourth in the wire and cable market in Sichuan Province in terms of revenue with a market share of 0.97%; and (ii) among approximately 18,000 players in the market, we ranked between 150 and 200 in the wire and cable market in China in terms of revenue with a market share of approximately 0.03%. Our brand ® was awarded "Chengdu City Well-known Trademark (成都市著名商標)" by Chengdu AIC in December 2013, and we were awarded "Sichuan Famous Brand Product Title" (四川名牌產品稱號) in March 2017, which recognise the reputation, competitiveness and branding of our Group in Sichuan Province.

Products sold by us can be broadly classified into four categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; and (iv) others, which comprise cable accessories. In terms of revenue, wires and cables are our principal products, and their sales accounted for 93.8%, 72.4% and 93.3%, respectively, of our total revenue for FY2017, FY2018 and FY2019. The conductors of our wires and cables are mainly made of copper and aluminium. Our portfolio of finished wires and cables products comprises classic and special products, which consists of over 800 types in aggregate as differentiated by their respective technical specifications, voltage requirements, raw material components and properties in accordance with the requirements of our customers. Apart from finished wires and cables, we also produce semi-finished wires comprising aluminium rods and bare copper wires to maximise our market exposure and enlarge our market share. As at the Latest Practicable Date, we had obtained 12 registered trademarks in the PRC and Hong Kong, and 58 registered patents in the PRC which are material to our business and we had submitted 13 patent applications in the PRC with respect to the wires and cables product development and technology. Sichuan Saftower was awarded "High and New Technology Enterprise" (高新技術企業) in December 2016 and November 2019. For details, see "Business — Research and Development" in this prospectus.

Our history can be traced back to June 2004 when Mr. Dang Fei and Mr. Wang, set up Sichuan Saftower in Pidu District, Chengdu, Sichuan Province, the PRC to engage in the manufacture, processing and sale of wires. We, together with an Independent Third Party, established Guangyuan Saftower in February 2015 to expand the manufacture of aluminium wires and cables as well as aluminium products, and our Guangyuan Plant commenced production in April 2017. Upon completion of the Tongchuang Equity Acquisition in April 2019, our production capability is further enlarged by including the production facilities of Guangyuan Tongchuang, the financial results of which has been consolidated into our Group since 16 April 2019. For details, see "Guangyuan Tongchuang" in this prospectus.

BUSINESS MODEL

We derive revenue mainly from the manufacturing and sale of finished wires and cables, as well as semi-finished wires and, to a lesser extent, from the trading of aluminium products and sale of cable accessories. During the Track Record Period, we sold a large proportion of finished wires and cables under our own brand name, and, when requested, we also undertook the production and sale of aluminium cables on OEM basis. Such production orders were subcontracted to Guangyuan Tongchuang before Tongchuang Equity Acquisition and the OEM orders had been undertaken by Tongchuang Plant after Tongchuang Equity Acquisition. Set forth below is a simplified flowchart of our business model during the Track Record Period and up to the Latest Practicable Date:



For FY2017, FY2018 and FY2019, we engaged three, three and five subcontractors (including Guangyuan Tongchuang), respectively, to provide subcontracting services for us in respect of certain wires and cables and high voltage cables. Guangyuan Tongchuang was one of our subcontractors of OEM products including aluminium overhead power cables and steel reinforced aluminium bare cables during FY2017, FY2018 and FY2019. Our subcontracting cost paid to Guangyuan Tongchuang for FY2017, FY2018 and up to 15 April 2019 accounted for 12.1%, 15.8% and 4.6% of our total purchase, respectively. Our subcontracting cost paid to other external subcontractors (not including Guangyuan Tongchuang) for FY2017, FY2018 and FY2019 accounted for 1.5%, 1.4% and 1.9% of our total purchase, respectively.

OUR CUSTOMERS AND SUPPLIERS

We had over 350 customers for FY2019. Among these customers, we have been developing business relationship with state-owned or state-invested companies which have good credit profile and established business network. We have been actively seeking strategic cooperation with local state-owned players such as those in power system construction industry in Sichuan Province, which we believe could extend our business presence and generate more sales opportunities. We are also keen to develop business relationship with listed companies to enlarge our customer base and generate higher profits from selling premium products to them. See "Business — Sales and Marketing — Strategic cooperation with local state-owned players in the power system construction industry and listed companies" in this prospectus for details.

Our products are directly sold by us mainly to power companies, manufacturing enterprises, construction and renovation companies as well as trading companies which purchase products from us for onward sale on their own accounts. A very small proportion of our products are sold to walk-in customers. Our five largest customers for FY2017, FY2018 and FY2019 are all located in the PRC and revenue derived from our five largest customers in aggregate accounted for 53.1%, 39.5% and 39.4%, respectively, of our total revenue during the respective periods. Except for Chongqing Dexindi which was owned by Mr. Dang Jun (a Controlling Shareholder, a member of our senior management and the elder brother of Mr. Dang Fei) as to 51% until 19 April 2016 and subsequently by Ms. Yu Xuelin (mother of Mr. Dang Jun and Mr. Dang Fei) as to 51% until 8 November 2018, none of our Directors, their respective close associates or any Shareholders (who, to the best knowledge of our Directors, owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest customers for FY2017, FY2018 and FY2019. Save for Chongqing Dexindi, our Directors have confirmed that our five largest customers for FY2017, FY2018 and FY2019 are Independent Third Parties.

For FY2017, FY2018 and FY2019, our major suppliers are corporate entities which are principally engaged in the production and/or sale of copper and aluminium materials or provision of subcontracting services for wires and cables in the PRC. Our major suppliers comprise suppliers of raw materials and subcontractors, and our purchase from our five largest suppliers for FY2017, FY2018 and FY2019 in aggregate accounted for 94.2%, 85.9% and 89.6%, respectively, of our total purchase during the respective periods. Save for Guangyuan Tongchuang, none of our Directors, their respective close associates or any Shareholder (who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers for FY2017, FY2018 and FY2019. Save for Guangyuan Tongchuang, all of our five largest suppliers for FY2017, FY2018 and FY2019 are Independent Third Parties.

For FY2017, FY2018 and FY2019, among our five largest suppliers and five largest customers, there were six entities which were both our major suppliers and customers (or vice versa) in one or more than one financial year for FY2017, FY2018 and FY2019. These entities are (i) Tianzhu; (ii) Guangyuan Tongchuang; (iii) Jinjin; (iv) Zhonglv; (v) Zirao;

and (vi) Guoda. See "Business — Overlapping Major Customers and Suppliers" in this prospectus for details of our sales to and purchases amount from these overlapping major customer-suppliers in FY2017, FY2018 and FY2019.

COMPETITIVE STRENGTHS

Our Directors believe that our success is attributable to our competitive strengths: (i) we are a reputable and reliable supplier of wires and cables with proven track record; (ii) we offer a wide array of high quality, reliable and safe wires and cables; (iii) we are strategically located in proximity to upstream aluminium resources such that we are well placed to capture business opportunities; (iv) we have integrated production facilities; (v) we are actively involved in product development; and (vi) we have a stable, experienced and dedicated management team with extensive industry experience.

BUSINESS STRATEGIES

Our key business objectives are to continue to grow our business to become the leading wire and cable supplier in Sichuan Province and a major player in Southwestern Region of the PRC, and further strengthen our position in the wire and cable and aluminium products industries in the PRC by implementing the following strategies: (i) expand our existing production facilities and production plant; (ii) repay part of our existing loan to improve our capital base; (iii) fund the upfront costs for the commercial production of the Shuneng Plant to enhance the vertical expansion of our production capacity; (iv) increase sales and marketing activities to promote our products and corporate profile; and (v) enhance corporate management efficiency.

OUR CONTROLLING SHAREHOLDERS AND PRE-IPO INVESTMENT

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme), our Company will be owned as to 43.91% by Red Fly (a BVI company which is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun). On the basis of (i) the Acting in Concert Undertaking; and (ii) that Mr. Dang Fei and Mr. Dang Jun hold their respective interests in our Company through a common investment holding company, i.e. Red Fly, which in turn will be entitled to exercise 30% or more of the voting power at general meetings of our Company, Mr. Dang Fei, Mr. Dang Jun and Red Fly are regarded as a group of Controlling Shareholders. For details, see "Relationship with our Controlling Shareholders — Our Controlling Shareholders" in this prospectus.

Ms. Zhao Qi, our Pre-IPO Investor, will hold 3% of the issued share capital of our Company immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme). For details, see "History, Development and Reorganisation — Pre-IPO Investment" in this prospectus.

SUMMARY OF HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables summarise the consolidated financial information of our Group for FY2017, FY2018 and FY2019, which are extracted from the Accountants' Report set out in Appendix I to this prospectus. The summary financial data should be read in conjunction with the consolidated financial information set out in the Accountants' Report in Appendix I to this prospectus.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	FY2017	**FY2018**	**FY2019**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	262,295	552,656	685,530
Cost of sales	(247,899)	(514,300)	(631,656)
Gross profit	14,396	38,356	53,874
Other income and gains	8,935	9,249	20,838
Selling and distribution expenses	(2,702)	(4,999)	(9,068)
Administrative and other expenses	(13,286)	(12,235)	(15,491)
Listing expenses	—	(3,851)	(8,920)
Finance costs	(4,257)	(6,515)	(7,877)
Share of profit a joint venture	88	1,548	538
Profit before income tax	3,174	21,553	33,894
Income tax expense	(997)	(4,157)	(4,141)
Profit and total comprehensive income for the year	2,177	17,396	29,753

We recorded a significant increase in revenue of RMB290.4 million, or 110.7%, from RMB262.3 million for FY2017 to RMB552.7 million for FY2018 after full operation of our Guangyuan Plant, which, among others, significantly increased our sale of aluminium products and semi-finished wires and enlarged our customer base. As a result, we recorded a significant increase in net profit of RMB15.2 million from RMB2.2 million for FY2017 to RMB17.4 million for FY2018. For FY2018 and FY2019, our revenue increased by RMB132.9 million or 24.0%, from RMB552.7 million to RMB685.5 million, and our net profit increased by RMB12.4 million from RMB17.4 million to RMB29.8 million. The increase in our revenue and net profit for FY2019 was mainly attributable to the Tongchuang Equity Acquisition as we consolidated Guangyuan Tongchuang's financial results since 16 April 2019.

Revenue, sales volume and average selling price

The following table sets forth the breakdown of our sales volume, average selling price and revenue by product type for the indicated periods:

	Unit (Note 2)	FY2017 Sales volume	FY2017 Average selling price (Note 1)	FY2017 Total sales	FY2018 Sales volume	FY2018 Average selling price (Note 1)	FY2018 Total sales	FY2019 Sales volume	FY2019 Average selling price (Note 1)	FY2019 Total sales
		km/tonne	*RMB per km/tonne*	*RMB'000*	*km/tonne*	*RMB per km/tonne*	*RMB'000*	*km/tonne*	*RMB per km/tonne*	*RMB'000*
1 Finished wires and cables										
Classic wires and cables										
Classic copper wires and cables										
— Copper power cables (銅製電力電纜)	*km*	646	54,243	35,041	1,045	58,479	61,100	628	73,693	46,279
— Copper wires for electrical equipment (銅製電氣裝備用電線)	*km*	34,374	1,422	48,886	22,298	1,723	38,426	18,575	1,640	30,468
Subtotal (classic copper wires and cables)				83,927			99,526			76,747
Classic aluminium wires and cables										
— Steel reinforced aluminium bare cables (鋁製鋼芯鋁絞線)	*tonne*	755	13,244	9,999	5,192	12,347	64,107	17,403	12,585	219,017
— Steel reinforced aluminium bare cables (鋁製鋼芯鋁絞線)	*km*	—	—	—	—	—	—	6	8,833	53
— Aluminium overhead power cables (鋁製架空電纜)	*km*	42	6,167	259	2,557	3,963	10,133	1,851	4,124	7,634
— Aluminium medium and low voltage power cables (鋁製中低壓電力電纜)	*km*	191	22,304	4,260	140	19,221	2,691	516	28,891	14,908
— Aluminium wires for electrical equipment (鋁製電氣裝備用電線)	*km*	7,377	1,816	13,398	2,732	1,526	4,168	1,291	1,604	2,071
— Aluminium wires for electrical equipment (鋁製電氣裝備用電線)	*tonne*	4,830	13,774	66,530	—	—	—	—	—	—
Subtotal (classic aluminium wires and cables)				94,446			81,099			243,683
Subtotal (classic wires and cables)				178,373			180,625			320,430
Special wires and cables										
Special copper wires and cables										
— Special copper power cables (銅製特種電力電纜)	*km*	—	—	—	56	41,429	2,320	263	92,205	24,250
— Special copper wires for electrical equipment (銅製特種電氣裝備用電線)	*km*	—	—	—	382	2,571	982	—	—	—
Subtotal (special copper wires and cables)				—			3,302			24,250
Special aluminium wires and cables										
— Special aluminium medium and low voltage power cables (鋁製特種中低壓電力電纜)	*km*	—	—	—	238	27,651	6,581	431	49,490	21,330
— Special aluminium wires for electrical equipment (鋁製特種電氣裝備用電線)	*km*	—	—	—	235	1,872	440	—	—	—
Subtotal (special aluminium wires and cables)				—			7,021			21,330
Subtotal (special wires and cables)				—			10,323			45,580
Subtotal (finished wires and cables)				**178,373**			**190,948**			**366,010**
2 Semi-finished wires										
Bare copper wires (銅絲)	*tonne*	0.25	44,000	11	598	43,940	26,276	1,192	42,912	51,151
Aluminium rods (電工圓鋁桿)	*tonne*	5,319	12,742	67,777	14,336	12,709	182,191	17,100	13,004	222,372
Subtotal (semi-finished wires)				**67,788**			**208,467**			**273,523**
3 Aluminium products										
Aluminium strips (鋁卷)	*tonne*	1,232	13,096	16,134	9,115	12,813	116,789	378	12,013	4,541
Aluminium ingots (鋁錠)	*tonne*	—	—	—	1,826	11,940	21,802	3,490	11,689	40,794
Subtotal (aluminium products)				**16,134**			**138,591**			**45,335**
4 Others										
Cable accessories (電纜配套設備)		N/A	N/A	—	N/A	N/A	14,650	N/A	N/A	662
Total revenue				**262,295**			**552,656**			**685,530**

Note:

1. Average selling price is derived from actual sales amount rounded to the nearest thousands divided by actual sales volume, while total sales is rounded to the nearest thousands.

2. Length (km) and weight (tonne) are two major measurements of units generally adopted by the market in accordance with the national standard. In general, products without coating of other materials would be measured in weight (tonne), whereas products coating with other materials would be measured in length (km). Cables accessories sold were in measurement of various units subject to the requirements from customers, therefore average selling price was not applicable.

For FY2017 and FY2018, our increase in revenue was mainly due to the increase in sales of semi-finished wires by RMB140.7 million and increase in sales of aluminium products by RMB122.5 million, as well as the rollout of special wires and cables with environmentally friendly features by Sichuan Saftower since August 2018 which contributed revenue of RMB10.3 million for FY2018. For FY2018 and FY2019, our increase in revenue was mainly due to the increase in sales of classic finished aluminium wires and cables by RMB162.6 million and the increase in sales of special wires and cables by RMB35.3 million for FY2019.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by product types for the indicated periods:

	FY2017		FY2018		FY2019	
	Gross Profit *(RMB'000)*	**Gross profit margin** *(%)*	**Gross Profit** *(RMB'000)*	**Gross profit margin** *(%)*	**Gross Profit** *(RMB'000)*	**Gross profit margin** *(%)*
Finished wires and cables	15,059	8.4	24,655	12.9	43,533	11.9
Semi-finished wires	(663)	N/A	6,541	3.1	9,035	3.3
Sub-total	14,396	5.5	31,196	7.8	52,568	8.2
Aluminium products	—	—	4,313	3.1	1,170	2.6
Others	—	—	2,847	19.4	136	20.5
Total	**14,396**	**5.5**	**38,356**	**6.9**	**53,874**	**7.9**

For further details, see "Financial Information of our Group — Description of Selected Items in Statements of Comprehensive Income — Gross profit and gross profit margin" in this prospectus.

Accumulated loss as at 1 January 2017 and 31 December 2017

Our Group recorded accumulated loss of RMB4.2 million and RMB2.4 million as at 31 December 2016 (i.e. 1 January 2017) and 31 December 2017 (i.e. 1 January 2018), respectively. Such accumulated loss mainly arose from the prior years' operating loss due to smaller scale of operation, and our Group recorded net profit from FY2017 and onwards.

For further details, see "Financial Information of our Group — Accumulated Loss as at 1 January 2017 and 31 December 2017" in this prospectus.

Selected consolidated statements of financial position

	As at 31 December		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	131,022	130,387	129,449
Current assets	60,777	138,192	204,838
Current liabilities	130,207	178,083	187,504
Net current (liabilities)/assets	(69,430)	(39,891)	17,334
Total assets less current liabilities	61,592	90,496	146,783
Net assets	57,965	87,361	139,401

As at 31 December 2017 and 2018, we had net current liabilities of RMB69.4 million and RMB39.9 million, respectively, of which RMB56.0 million and RMB91.6 million respectively, were borrowings which were mainly used for purchases of raw materials as at the relevant dates. We recorded net current assets of RMB17.3 million as at 31 December 2019. During the Track Record Period, none of our borrowings had been recalled by our banks before their respective maturity dates. Due to the business nature of manufacturing of wires and cables, we rely on our capital and external financings to support the purchase of inventories and have significant investment in capital expenditures to expand our production scale. When we achieved economies of scale of operation after the establishment of Guangyuan Plant and our consolidation of Guangyuan Tongchuang, our financial position improved with our enhanced profitability.

Selected consolidated statements of cash flows

	FY2017	FY2018	FY2019
	RMB'000	*RMB'000*	*RMB'000*
Operating profit before working capital changes	11,497	32,890	45,263
Changes in working capital	911	(54,486)	(22,490)
Income tax paid	—	(130)	(3,491)
Net cash from/(used in) operating activities	12,408	(21,726)	19,282
Net cash used in investing activities	(27,289)	(9,555)	(10,246)
Net cash from/(used in) financing activities	15,742	27,988	(7,924)
Net increase/(decrease) in cash and cash equivalents	861	(3,293)	1,112
Cash and cash equivalents at the beginning of the year	4,046	4,907	1,614
Cash and cash equivalents at end of year	4,907	1,614	2,726

Our operating profit before working capital changes increased in FY2018 due to increase in our business turnover. For FY2018, we recorded net cash used in operating activities mainly due to increase in trade and bill receivables and prepayments, deposits and other receivables. For FY2017, FY2018 and FY2019, we had net cash used in investing activities primarily because of purchase of property, plant and equipment; and our net cash from financing activities was mainly derived from proceeds from borrowings.

Key financial ratios

The following table sets out certain key financial ratios of our Group as at the dates or for the years indicated:

	FY2017	FY2018	FY2019
Gross profit margin (%)	5.5	6.9	7.9
Net profit margin (%)	0.8	3.1	4.3
Return on equity (%)	3.8	19.9	21.3
Return on total assets (%)	1.1	6.5	8.9
Interest coverage (times)	1.7	4.3	5.3

	As at 31 December		
	2017	2018	2019
Current ratio (times)	0.5	0.8	1.1
Quick ratio (times)	0.4	0.7	1.0
Gearing ratio (%) *(Note 1)*	123.5	107.7	71.5
Debt to equity ratio (%) *(Note 2)*	115.0	105.8	69.6

Note:

(1) Gearing ratio is calculated by dividing total debts by total equity as at the end of the respective year. Total debts include payables incurred not in the ordinary course of business.

(2) Debt to equity ratio is calculated by dividing net debts by total equity as at the end of the respective year. Net debts include all borrowings net of cash and cash equivalents.

For details, see "Financial Information of our Group — Key Financial Ratios" in this prospectus.

TONGCHUANG EQUITY ACQUISITION

On 15 April 2019, our Group acquired 16.67% of the equity interest (with the outstanding capital contribution payable by Mr. Li Zhanwei) of Guangyuan Tongchuang, the then joint venture of our Group, which was owned as to 40% by us prior to the Tongchuang Equity Acquisition, from Mr. Li Zhanwei, an Independent Third Party. Guangyuan Tongchuang is principally engaged in the manufacturing and sale of aluminium wires and cables, on OEM basis, for external customers and our Group. During FY2017 and FY2018, it also engages in the trading of aluminium strips and copper rods. The acquisition was made with the aim to expand our Group's existing scale of operation and enlarge our Group's market presence.

Since Mr. Li Zhanwei did not pay up any capital of Guangyuan Tongchuang and it was recognised as an amount due from owner on Guangyuan Tongchuang's financial statement before the Tongchuang Equity Acquisition, we did not need to pay Mr. Li Zhanwei pursuant to the equity transfer agreement but to pay up the unpaid capital of RMB10.0 million to Guangyuan Tongchuang. On 26 September 2019, the registered capital of Guangyuan Tongchuang was fully paid by Guangyuan Saftower.

The acquisition was completed on 15 April 2019. In accordance with HKFRSs, our Group continued to share the results of Guangyuan Tongchuang using equity method of accounting during the period from 1 January 2017 to 15 April 2019. As a result of the completion of the acquisition, our Company indirectly holds 56.67% equity interest of Guangyuan Tongchuang and consolidates our accounts with the accounts of Guangyuan Tongchuang, since 16 April 2019. For details, see "Guangyuan Tongchuang" in this prospectus. As one or more of the applicable percentage ratios as defined in the GEM Listing Rules in respect of the Tongchuang Equity Acquisition exceed 25%, the Tongchuang Equity Acquisition, if made by us upon Listing, would constitute a major transaction of our Company based on the consolidated financial statements of our Group for FY2018. For stand-alone pre-acquisition financial information of Guangyuan Tongchuang and management discussion and analysis, see Note 37 to Appendix I to this prospectus and "Pre-acquisition Financial Information of Guangyuan Tongchuang" in this prospectus.

PRIOR NEEQ LISTING AND DELISTING

In June 2015, in preparation for the listing on the NEEQ, Sichuan Saftower was converted from a limited liability company into a company limited by shares. In October 2015, the shares in Sichuan Saftower became listed on the NEEQ with a stock code of 833940. On 14 May 2018, all the shareholders of Sichuan Saftower resolved to voluntarily delist Sichuan Saftower's shares from the NEEQ and the NEEQ Company approved the NEEQ Delisting on 5 June 2018. The shares of Sichuan Saftower ceased to be listed on the NEEQ on 7 June 2018. For details, see "History, Development and Reorganisation — Prior Listing on the NEEQ and the Delisting" in this prospectus.

AGENCY SERVICE ARRANGEMENT

For FY2018 and FY2019, we recorded agency fee income of RMB3.3 million and RMB3.1 million, respectively, from our arrangement with (i) Aostar, being the ultimate purchaser of aluminium oxide (i.e. being the principle under such arrangement); and (ii) two raw material suppliers, in which we purchased, as an agent, aluminium oxide on behalf of and designated by Aostar, who in turn, agreed to reimburse the price of aluminium oxide paid by us plus an agency fee. Our Group ceased the Agency Service Arrangements in December 2019 upon the expiration of the terms of the aluminium oxide purchase agreement. During the Track Record Period, we financed the purchase of aluminium oxide on behalf of Aostar by the borrowing of RMB10.0 million from Tongsheng Guochuang and we fully repaid the borrowing on 13 May 2020. For details, see "Business — Agency Service Arrangements" in this prospectus. As at 31 December 2018 and 2019, there was a balance of other receivables due from Aostar of RMB14.7 million and RMB10.0 million, respectively, under the Agency Service Arrangements which represented the outstanding balance in relation to the gross purchase amount of aluminium oxide and the related agency fee. Aostar fully settled such amount of other receivables by the end of April 2020. Subsequent to the Track Record Period and in March 2020, a designated supplier, namely Guizhou Galuminium, filed a civil claim against us in relation to the alleged failure to fulfill in full the total target purchase amount for 2019. For details, see "Recent Developments and No Material Adverse Change — Potential Litigation" in this section and "Business — Compliance and Litigation — litigation" in this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, we have the following recent developments:

Key performance indicators — Key performance indicators (including the costs of raw materials such as copper and aluminium) were stable for the period after the Track Record Period and up to the Latest Practicable Date.

Gross profit margin — We expect our cost of raw materials as a percentage of our revenue to remain relatively stable in comparison with the Track Record Period, and hence our gross profit margin is expected to remain relatively stable.

New purchase order and tender contracts — In March 2020, we entered into a framework agreement with Changhong Group for the supply of special wires and cables with a total contract sum of RMB55.0 million for FY2020. Since March 2020, we have been receiving orders placed by Changhong Group under the framework agreement for the supply of special wires and cables. In May 2020, we received a purchase order of steel reinforced aluminium bare cables from a subsidiary of a company listed on the Shanghai Stock Exchange, which is mainly engaged in the sales of wires and cables and electronic products, with a total contract sum of RMB39.5 million for FY2020.

New external debt financing — In March 2020, we have drawn down a new borrowing of RMB3.0 million at 6.8% interest per annum for one year. In May 2020, after the full repayment of Current Tongsheng Loan, we have drawn down a new borrowing of RMB19.5 million at 7.5% interest per annum for one year which was secured by the same amount of trade receivables due from a subsidiary of Customer A, for the purpose of general working capital. As at the Latest Practicable Date, our Group have available unutilised facilities in the amount of up to RMB11.5 million.

Impact of COVID-19 — There has been an outbreak of a highly contagious respiratory disease (COVID-19) in China in late 2019. On 23 January 2020, the PRC government announced the lock-down of Wuhan City in an attempt to quarantine the city. Since then, draconian measures including travel restrictions have been imposed in other major cities in the PRC, as well as other countries and territories, in an effort to contain the COVID-19 outbreak. On 30 January 2020, the World Health Organization ("**WHO**") declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC), and on 11 March 2020, WHO characterized COVID-19 as a pandemic. As at the Latest Practicable Date, the virus had spread across the PRC and globally and death toll and number of infected cases continued to rise. Various countries and territories have also imposed travel restrictions, such as denial of entry and mandatory quarantine for people entering the borders. As a result of the COVID-19 and the corresponding measures taken by the PRC government, the operation of our Group was suspended from the Lunar New Year holiday to 2 March 2020.

The continuous spread of COVID-19 is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC. The wires and cables industry may be adversely affected due to the postponed resumption of productions and transportation, and therefore our business operation and our financial performance may be adversely affected. Notwithstanding this, given the market trend for construction and power transmission in the long run and relatively stable demand of wires and cables due to their wide range of downstream applications, Frost & Sullivan is of the view that, once the outbreak is effectively controlled, the impact on the wires and cables manufacturing industry in the PRC is expected to be temporary.

Our Directors believe that, based on information up to the date of this prospectus, the outbreak of COVID-19 would not result in a pro-longed disruption to our production and business operations due to (i) our major customers are not from Wuhan City or other cities in Hubei Province during the Track Record Period, and we did not generate any revenue from sales to customers located in Hubei Province; (ii) our major raw materials are primarily copper and aluminium materials which are produced and readily available from suppliers in various regions of the PRC, and we are generally able to source alternative supplies if any of our current suppliers are affected by disruption caused by the spread of the disease; (iii) the majority of our employees are local residents in Chengdu and Guangyuan who are able to report to duty at our production plants, and to the best of our Directors' knowledge, as at the Latest Practicable Date, there had been no confirmed cases of COVID-19 infection of our staff; (iv) up to the date of this prospectus, none of our production facilities are located in cities or regions affected by the lockdowns which would cause material operational disruption; (v) according to the notices announced by the local government, the Lunar New Year holiday was extended to 2 February 2020, and our production and sales activities have been resumed since 2 March 2020 after obtaining official approval from local government; (vi) less new cases are being reported recently and more cities and regions in the PRC gradually resume their commercial activities; (vii) as at the Latest Practicable Date, none of our customers who had placed orders with us before the outbreak of COVID-19 had cancelled their orders and we had been able to perform our contracts with our customers after resumption of production; (viii) since 1 January 2020 and up to the Latest Practicable Date, there were short delays in the delivery of two orders of steel reinforced aluminium bare cables in February 2020. Such orders which amounted to RMB4.5 million and RMB3.9 million were placed in December 2019 and January 2020, respectively, and were subsequently delivered and accepted by the relevant customer in late March 2020 and mid-April 2020, respectively; and (ix) generally the first quarter of a year is our low season due to the Lunar New Year holiday.

To prevent any widespread of COVID-19 in our production facilities and office, we have established an epidemic prevention and control working group led by our executive Directors to undertake various precautionary measures such as (i) enhancing the environmental hygiene of our Chengdu Plant, Guangyuan Plant and our office by cleaning and sanitising areas including office, production plants, laboratories, cafeteria and washrooms regularly; (ii) requiring all of our employees to undergo mandatory temperature checks on a daily basis before and after work; (iii) minimising in-person meetings to the extent possible; and (iv) requesting our employees to wear masks at all time during work and report to us promptly whenever they feel unwell. For the four months ended 30 April 2020, our Group's overall utilisation rate of production facilities achieved approximately 53.9%.

As at the Latest Practicable Date, the local government had issued certain supporting policies for enterprises' development during the period of outbreak of COVID-19, such as (i) relaxing the requirement on social insurance and housing provident fund payment; (ii) reducing the financing costs including lower the interest rate and guarantee fee rates; and (iii) offering subsidy for utilities and purchase of equipment and machinery. It is expected that our Group will be benefited from these policies to save cost and expenditures of approximately RMB1.5 million for FY2020. In addition, since the outbreak of COVID-19, our Directors have closely monitored the gradual resumption of manpower phase by phase complying with local government authorities' guidelines to manage the return of employees in an orderly manner. During such period due to the delayed resumption of operation, our Group has taken cost control measures on staff costs which is expected to save staff costs of approximately RMB0.5 million for the first quarter of 2020.

According to our unaudited management accounts for the two months ended 29 February 2020, our revenue decreased by 81.2% as compared to that of the same period of 2019 because we maintained minimal operation in response to the outbreak of COVID-19 which resulted in net loss. As our operation resumed in March 2020 and receiving new orders from major customers, in particular we have signed a new framework agreement with Changhong Group in total contract sum of RMB55.0 million to be delivered within FY2020, our Directors are of the view that no material adverse effect on our overall operations and financial performance for FY2020 is expected to result from the recent COVID-19 outbreak. For the two months ended 30 April 2020, we recorded a revenue decrease of 19.7% compared to that of the same period of 2019 according to our unaudited management accounts. Our Directors believe that the significant recovery of our monthly revenue is a solid proof that our Group has resumed normal operation after the COVID-19 outbreak.

In the unlikely event that we are forced to reduce or suspend part of our business operations, whether due to government policy or any other reasons beyond our control, due to the COVID-19 outbreak, we estimate our existing financial resources (including cash and bank balances and available facilities) as at the Latest Practicable Date could satisfy our necessary costs for over 12 months. Our key assumptions of the worst case scenario where our business is forced to be suspended due to the impact of COVID-19 include: (i) we will not generate any income due to the suspension of business and we will cease the operation and will not incur any purchases and production costs; (ii) all of our staff, including operational and administrative staff, are paid minimal salaries and allowances according to local government policy and are encouraged to take unpaid leave under mutual consent or dismissed upon proper notice in accordance with the employment contract and no significant compensation is incurred; (iii) the rental related payments including rentals, management fees and other miscellaneous charges that are paid monthly; (iv) minimal operating and administrative expenses will be incurred to maintain our operations at a minimum level (including basic head office maintenance cost, utilities expenses, fees to be incurred as a listed company such as annual listing fee, annual audit fee, financial reports and compliance adviser fee); (v) the expansion plan is delayed under such condition; (vi) there will be no further internal or external financing from Shareholders or financial institutions; and (vii) no dividend will be declared and paid under such situation. The abovementioned extreme situation may or may not occur. The abovementioned analysis is for illustrative purpose only and our Directors currently assess that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development; therefore there is a possibility that such impact to our Group may be out of our Director's control and beyond our estimation and assessment.

Based on the parameters above but assuming that our Group is able to obtain the proceeds from the Share Offer and carry out the future plans as set out in the section headed "Future Plans and Use of Proceeds", our Directors estimate that by utilising 10% of the net proceeds from the Share Offer which currently is allocated for general working capital purpose, our Group will be able to maintain financial viability for at least 14 months upon the Listing.

Potential litigation — In March 2020, Guizhou Galuminium, the designated supplier from whom we purchased aluminium oxide for Aostar under the Agency Service Arrangements, filed a civil claim against Guangyuan Saftower, in which Guangyuan Saftower was alleged to have breached the contract for the failure to fulfil in full the total target purchase for 2019 under the supply agreement dated 14 December 2018 (as supplemented by the supplemental supply agreement dated 1 April 2019) entered into between Guangyuan Saftower and Guizhou Galuminium (for details of these supply agreements, see "Business — Agency Service Arrangements" in this prospectus) and Guizhou Galuminium claimed for damages in the sum of RMB6.4 million, which represented the alleged shortfall of the total target purchase for 2019. As at the Latest Practicable Date, we were in the process of negotiation with Guizhou Galuminium. Despite the risk that we will be ultimately held liable in respect of the claim is remote, to safeguard our Group's interest from such potential litigation for any legal consequences (if any) in respect of the claim, we had requested Aostar, the principal to the Agency Service Arrangement, to arrange for an indemnity to cover such legal consequences (if any). On 25 May 2020, Hong Sheng (acting on behalf of Aostar) pledged its aluminium products in favour of Guangyuan Saftower at the value of RMB6.4 million and agreed to indemnify Guangyuan Saftower for any shortfall where the value of such pledged assets would be insufficient to cover such liabilities (if any). For details see "Business — Compliance and Litigation — Litigation" in this prospectus.

We have obtained a legal opinion from an independent litigation counsel in the PRC which supports the Director's view that it is less than probable that the case will result in any material outflow of economic interest from our Group. Having considered the facts and circumstances of the claim and the opinion of the litigation counsel, our Directors determined that no provision for the claim by Guizhou Galuminium is required to be made in our financial statements.

Our Directors expect a decrease in our net profit for FY2020 as compared to that of FY2019, taking into account of (i) the impact of COVID-19 as mentioned above; (ii) the non-recurring government grants of RMB10.1 million which was recorded in FY2019; (iii) the estimated Listing expenses of RMB7.9 million to be recorded in FY2020; and (iv) an increase in administration and compliance cost after the Listing. Our Directors confirm that, save for the expenses in connection with the Listing and the analysis of the impact of COVID-19 as mentioned above, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 31 December 2019 (being the date to which the latest audited consolidated financial information was prepared which was set out to the Accountants' Report in Appendix I to this prospectus) to the date of this prospectus.

OFFERING STATISTICS

The following table sets forth the statistics under the Share Offer:

	Based on the minimum Offer Price of HK$0.25 per Offer Share	**Based on the maximum Offer Price of HK$0.40 per Offer Share**
Market capitalisation *(Note 1)*	HK$200,000,000	HK$320,000,000
Unaudited pro forma adjusted consolidated net tangible assets per Share *(Note 2)*	HK$0.19	HK$0.23

Notes:

(1) The calculation of our market capitalisation is based on 800,000,000 Shares which will be in issue immediately following completion of the Share Offer (assuming the Offer Size Adjustment Option is not exercised) and without taking into account any Share that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or any Share that may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(2) The unaudited pro forma adjusted combined net tangible assets per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK$0.325 per Share (being the mid-point of the Offer Price range of HK$0.25 to HK$0.40 per Share), the net proceeds from the Share Offer, after deducting the underwriting fees and estimated expenses borne by us in connection with the Share Offer, are estimated to be approximately HK$28.0 million. We intend to use the net proceeds of the Share Offer for the following purposes:

- HK$15.4 million or 55.0% will be used for expanding our existing production facilities and production plant;
- HK$7.0 million or 25.0% will be used for repaying part of our existing loan;
- HK$2.8 million or 10.0% will be used for funding the upfront costs for the commercial production of the Shuneng Plant; and
- HK$2.8 million or 10.0% will be used for general working capital of our Group.

For further details, see "Business — Business Strategies" and "Future Plans and Use of Proceeds" in this prospectus.

LISTING EXPENSES

The total Listing expenses, which are non-recurring in nature and primarily consist of the fees paid or payable to professional parties and underwriting commission, are estimated to be HK$37.0 million or 56.9% of the gross proceeds (equivalent to RMB32.6 million, based on HK$0.325 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus and assuming no exercise of the Offer Size Adjustment Option). For the Listing expenses, (i) HK$13.5 million (equivalent to RMB11.9 million) is directly attributable to the issue of the Offer Shares which are to be accounted for as a deduction from equity; (ii) HK$4.4 million and HK$10.1 million (equivalent to RMB3.9 million and RMB8.9 million respectively) have been charged to profit or loss of our Group for FY2018 and FY2019 respectively; and (iii) HK$9.0 million (equivalent to RMB7.9 million) will be further charged to profit or loss of our Group for FY2020 upon the Listing.

DIVIDENDS

During FY2019, a final dividend of approximately RMB4.9 million was declared by Guangyuan Tongchuang for its financial results for FY2018 to its shareholders, namely Guangyuan Saftower and Tongsheng Guochuang. As at 31 December 2019, the balance of the dividend payable was fully settled. The declaration and payment of future dividends will be subject to the decision of our Board having regard to various factors such as our results of operations, cash flows, financial conditions, future prospects and regulatory restrictions on the payment of dividends by us or our operating subsidiaries. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio. For details, see "Financial Information of our Group — Dividend" in this prospectus.

LEGAL COMPLIANCE

Except for the litigation disclosed in the paragraph headed "Business — Compliance and Litigation — Litigation", as at the Latest Practicable Date, as advised by our PRC Legal Advisers, there was no pending or threatened litigation, arbitration or administrative proceeding against us or any of our subsidiaries which could have a material adverse effect on our business or financial position. Our Directors confirmed that, and as advised by our PRC Legal Advisers, save as the two incidents of non-compliance with the Rules for Information Disclosures by Companies Admitted to the NEEQ, there was no material non-compliance of our Group with the applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. See "Business — Compliance and Litigation — Regulatory compliance" and "History, Development and Reorganisation — Non-compliance incidents with the Rules for Information Disclosures by Companies Admitted to the NEEQ《全國中小企業股份轉讓系統掛牌公司信息披露細則》" in this prospectus.

HIGHLIGHTS OF RISK FACTORS

There are a number of risks involved in our operations and in connection with the Share Offer, many of which are beyond our control. These risks can be categorised into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in the PRC; and (iv) risks relating to the Share Offer. We believe that the following are some of the major risks that may have a material adverse effect on us:

- Our 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.
- Our revenue is mainly derived from sales to customers without long-term contracts, and the demand for our products is significantly dependent on our customers' business and the performance of their respective industry or market.
- We recorded net current liabilities as at 31 December 2017 and 2018 and relatively high gearing ratio as at 31 December 2017, 2018 and 2019.
- We had net operating cash outflows for FY2018.
- Our business operations may be affected by the outbreak of COVID-19.
- The PRC preferential tax treatment and government subsidies we currently enjoy may be unfavourably changed or discontinued.
- We are exposed to the credit risk of our customers and operate in a relatively thin margin.