



SAFTOWER 蜀塔电缆

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



2020
INTERIM REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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

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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 901, 9th Floor
Belgian Bank Building
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Hong Kong

PRINCIPAL BANKERS

Bank of Communications Company
Limited
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Pitong Town
Pidun District, Chengdu
Sichuan Province
PRC

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

Chengdu Rural Commercial Bank
Company Limited
Pidun Hongxing Branch
No. 198 Wangcong East Road,
Pitong Town
Pidun 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
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STOCK CODE

8623

COMPANY'S WEBSITE

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 2020, together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	7	208,550	264,230
Cost of sales		(193,665)	(248,581)
Gross profit		14,885	15,649
Other income and gains	8	1,435	10,018
Selling and distribution expenses		(2,501)	(3,344)
Administrative and other expenses		(6,916)	(6,771)
Listing expenses		(865)	(2,671)
Finance costs	9	(4,456)	(4,196)
Share of profit of a joint venture		—	538
Profit before income tax expense	10	1,582	9,223
Income tax expense	11	(266)	(1,437)
Profit and total comprehensive income for the period		1,316	7,786
Profit and total comprehensive income attributable to:			
Owners of the Company		1,144	7,008
Non-controlling interests		172	778
		1,316	7,786
Earnings per share for the profit attributable to owners of the Company during the period (expressed in RMB cents per share)			
— Basic and diluted	13	0.19	1.17

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	115,742	119,013
Intangible assets		105	112
Deferred tax assets		194	—
Right-of-use assets		9,810	10,134
Prepayments	15	117	190
		125,968	129,449
Current assets			
Inventories		28,042	20,771
Trade and bills receivables	15	116,666	148,035
Prepayments, deposits and other receivables	15	25,502	33,301
Amount due from a shareholder		211	5
Cash and cash equivalents		8,087	2,726
		178,508	204,838
Total assets		304,476	334,287
Current liabilities			
Contract liabilities		3,074	6,804
Trade and bills payables	16	33,476	67,849
Accruals and other payables	16	9,635	14,477
Borrowings	17	107,295	95,478
Deferred income		368	368
Lease liabilities		431	356
Income tax payable		1,491	2,172
		155,770	187,504
Net current assets		22,738	17,334
Total assets less current liabilities		148,706	146,783

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Non-current liabilities			
Borrowings	17	4,589	3,684
Deferred income		2,269	2,453
Deferred tax liabilities		1,015	1,061
Lease liabilities		116	184
		7,989	7,382
Net assets		140,717	139,401
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	—*	—*
Reserves		112,901	111,757
		112,901	111,757
Non-controlling interests		27,816	27,644
Total equity		140,717	139,401

* Represents the amount less than RMB1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Equity attributable to owners of the Company						Total RMB'000
	Share capital RMB'000 (Note 18)	Capital reserves RMB'000	Retained earnings RMB'000	Statutory reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	
At 1 January 2020	—*	69,696	35,738	6,323	111,757	27,644	139,401
Profit and total comprehensive income for the period	—	—	1,144	—	1,144	172	1,316
Transfer to statutory reserves	—	—	(306)	306	—	—	—
At 30 June 2020	—*	69,696	36,576	6,629	112,901	27,816	140,717
At 1 January 2019	—*	72,000	12,921	2,533	87,454	(93)	87,361
Profit and total comprehensive income for the period	—	—	7,008	—	7,008	778	7,786
Acquisition of a subsidiary	—	—	—	—	—	27,971	27,971
Issue of ordinary shares (Note 18(b)&(c))	—*	—	—	—	—*	—	—*
Deemed distribution to the then shareholders of a subsidiary pursuant to the reorganisation (Note i)	—	(2,304)	—	—	(2,304)	—	(2,304)
Transfer to statutory reserves	—	—	(1,029)	1,029	—	—	—
At 30 June 2019	—*	69,696	18,900	3,562	92,158	28,656	120,814

* Represents the amount less than RMB1,000

Notes:

- (i) As part of the reorganisation, 蜀塔企業管理（廣元）有限公司 (Saftower Management (Guangyuan) Limited*) acquired 96% of the equity interests of 廣元蜀塔科技有限公司 (Guangyuan Saftower Technology Company Limited*) from the then shareholders, at cash considerations of RMB2,304,000.

* English translated names are for identification purpose only

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June		
	Notes	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Cash flows from operating activities			
Cash generated from operations		1,535	10,059
Income tax paid		(1,187)	(3,182)
Net cash generated from operating activities		348	6,877
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,328)	(2,201)
Acquisition of a subsidiary		—	90
Interest received		4	2
Net cash used in investing activities		(3,324)	(2,109)
Cash flows from financing activities			
Proceeds from borrowings		65,940	63,640
Repayments of borrowings		(53,218)	(58,940)
Interest paid on borrowings		(4,385)	(4,128)
Repayments of lease liabilities		—	(1,030)
Decrease in amount due to a shareholder		—	(688)
Deemed distribution to the then shareholders of a subsidiary pursuant to the reorganisation		—	(2,304)
Net cash generated from/(used in) financing activities		8,337	(3,450)
Net increase in cash and cash equivalents		5,361	1,318
Cash and cash equivalents at beginning of period		2,726	1,614
Cash and cash equivalents at end of period		8,087	2,932

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 prospectus of the Company dated 24 June 2020 (the “**Accountants’ 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 Accountants' Report except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2020. 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 HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3: Definition of a Business
- Amendments to HKFRS 7, HKFRS 9 and HKAS 39: Interest Rate Benchmark Reform
- Amendments to HKAS 1 and HKAS 8: Definition of Material
- Amendments to HKFRS 16: Covid-19-Related Rent Concessions
- Conceptual Framework for Financial Reporting (Revised)

The new or amended HKFRSs that are effective from 1 January 2020 did not have any significant impact on the Group's accounting policies.

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 2019.

6. SEGMENT REPORTING

Operating segments

During the six months ended 30 June 2020 and 30 June 2019, 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.

Geographic information

The Group's revenue during the six months ended 30 June 2020 and 30 June 2019 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.

6. SEGMENT REPORTING (CONTINUED)

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 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Customer A	26,074	N/A ⁽¹⁾
Customer B	N/A ⁽¹⁾	40,065

(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 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue from contracts with customers		
<i>Type of goods</i>		
Manufacturing and sales of wires and cables, recognised at a point in time	208,550	219,316
Sales of aluminium products, recognised at a point in time	—	44,914
	208,550	264,230

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.

8. OTHER INCOME AND GAINS

		Six months ended 30 June	
<i>Notes</i>		2020	2019
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Other income			
		4	2
Interest income			
Government grants and subsidies	<i>(i)</i>	1,190	5,979
Agency fee income		—	2,523
Sales of scrap metals and consumables		130	—
Rental income	<i>(ii)</i>	—	530
		1,324	9,034
Gains			
Gain on a bargain purchase		—	942
Others		111	42
		111	984
		1,435	10,018

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 2019, the Group leased its buildings to the then joint venture, Guangyuan Tongchuang (Note 20).

9. FINANCE COSTS

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	4,449	4,186
Interest expenses on lease liabilities	7	10
	4,456	4,196

10. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Costs of inventories recognised as expense	193,665	248,581
Auditor's remuneration	24	—
Depreciation of property, plant and equipment	3,372	2,777
Depreciation of right-of-use assets	324	324
(Gains)/losses on disposal of property, plant and equipment, net	—	—
Amortisation of intangible assets	7	7
Research and development costs (other than amortisation costs)	681	1,154
Release of deferred income	(184)	(184)
Allowance for expected credit losses ("ECLs") on trade receivables (Note 15)	134	175
Allowance for ECLs on other receivables (Note 15)	—	82
Listing expenses	865	2,671
Employee costs (including directors' remuneration)		
Wages, salaries, allowances and other benefits	4,662	4,060
Contributions to defined contribution retirement plan	454	946
	5,116	5,006

11. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Current tax		
— tax for the period	506	1,679
— over-provision in respect of prior year	—	(383)
	506	1,296
Deferred tax	(240)	141
Income tax expense	266	1,437

No Hong Kong profits tax was provided during the six months ended 30 June 2020 (six months ended 30 June 2019: nil) as the Group has no estimated assessable profit in Hong Kong during the period (six months ended 30 June 2019: 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 2020 and 30 June 2019.

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11. INCOME TAX EXPENSE (CONTINUED)

廣元同創新材料有限公司 (Guangyuan Tongchuang New Materials Company Limited*) (“**Guangyuan Tongchuang**”) is subject to 10% income tax concession due to preferential tax policy of the development of the western region fulfilled for the six months ended 30 June 2020 and 30 June 2019. 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, 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 2020 and 30 June 2019.

13. EARNINGS PER SHARE

The calculation of earnings per share for the period is based on the profit for the six months ended 30 June 2020 of RMB1,144,000 (2019: RMB7,008,000), and on the basis of 600,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the reorganisation and the capitalisation issue (Note 21(a)) but excluding any shares issued pursuant to the share offer as if these shares issued under the reorganisation and the capitalisation issue had been issued on 1 January 2019.

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 2020 and 30 June 2019.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of machinery and office equipment with a cost of RMB101,000 (six months ended 30 June 2019: RMB12,572,000). No property, plant and equipment was disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

During the six months ended 30 June 2020, no new lease contract was entered into by the Group (30 June 2019: nil).

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15. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables	118,954	147,189
Less: Allowance for ECLs on trade receivables	(2,288)	(2,154)
	116,666	145,035
Bills receivables	—	3,000
	116,666	148,035
Prepayments for purchase of property, plants and equipment	117	190
Prepayments	8,282	4,148
Prepayments to suppliers	1,633	8,296
Deposits	1,276	946
Other receivables, net	14,311	19,911
	142,285	181,526

The credit period granted to customers is ranging from 0 to 365 days as at 30 June 2020 (31 December 2019: 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:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 60 days	23,344	100,686
61 to 180 days	21,458	20,908
181 to 365 days	62,335	5,438
Over 365 days	9,529	18,003
	116,666	145,035

As at 30 June 2020, trade receivables of a customer of approximately RMB20,965,000 respectively were pledged as securities for the other borrowings as set out in Note 17 (31 December 2019: RMB2,797,000).

16. TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade payables	33,476	67,849
Accrued listing expenses	2,838	2,838
Accrued employee benefit expenses	587	1,440
Payables for purchase of property, plant and equipment	495	3,795
Other taxes payables	186	562
Interest payables	180	109
Deposits received	—	174
Other payables and accruals	5,349	5,559
	43,111	82,326

The credit period on purchases from suppliers is generally ranging from 0 to 120 days as at 30 June 2020 (31 December 2019: 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:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
0 to 60 days	21,964	44,544
61 to 180 days	5,938	7,218
181 to 365 days	4,951	2,198
Over 365 days	623	13,889
	33,476	67,849

17. BORROWINGS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Current:		
Secured and guaranteed interest-bearing bank borrowings repayable within one year (<i>Note (i)</i>)	83,140	55,640
Secured and guaranteed interest-bearing other borrowings repayable within one year (<i>Note (ii)</i>)	20,822	37,600
Sale and leaseback liabilities	3,333	2,238
	107,295	95,478
Non-current:		
Sale and leaseback liabilities	4,589	3,684

17. BORROWINGS (CONTINUED)

Notes:

- (i) The bank borrowings are secured by:
 - (a) Buildings with an aggregate net carrying amount of approximately RMB29,859,000 as at 30 June 2020 (31 December 2019: RMB31,513,000);
 - (b) Land use rights with an aggregate net carrying amount of approximately RMB6,741,000 as at 30 June 2020 (31 December 2019: RMB6,834,000);
 - (c) Property of close family members of directors of the Company as disclosed in Note 20(c);
 - (d) Properties of the directors of the Company as disclosed in Note 20(d);
 - (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 20(f);
 - (g) Plant and machinery with an aggregate net carrying amount of approximately RMB2,893,000 as at 30 June 2020 (31 December 2019: RMB3,075,000); and
 - (h) Inventories of approximately RMB2,509,000 as at 30 June 2020 (31 December 2019: nil).
- (ii) The other borrowings are secured by:
 - (a) Buildings with an aggregate net carrying amount of approximately RMB16,885,000 as at 30 June 2020 and (31 December 2019: RMB17,201,000);
 - (b) Land use rights with a net carrying amount of approximately RMB959,000, as at 30 June 2020 (31 December 2019: RMB970,000);
 - (c) Properties of an independent third party;
 - (d) Inventories of a shareholder of the Company; and
 - (e) Trade receivables of approximately RMB20,965,000 as at 30 June 2020 (31 December 2019: RMB2,797,000) as disclosed in Note 15.
- (iii) The bank borrowings and other borrowings are guaranteed by:
 - (a) directors of the Company;
 - (b) a shareholder of the Company;
 - (c) close family members of directors of the Company; and
 - (d) independent third parties.

17. BORROWINGS (CONTINUED)

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within one year or on demand	107,295	93,240

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within one year or on demand	3,333	2,238
In the second year	2,547	1,956
In the third to fifth years, inclusive	2,042	1,728
	7,922	5,922

As at 30 June 2020, the Group's plant and machinery with an aggregate net carrying amount of approximately RMB8,469,000 (31 December 2019: RMB5,237,000) were held under sale and leaseback liabilities.

18. SHARE CAPITAL

	Number	Amount RMB'000
Authorised:		
Ordinary shares of US\$1 each upon incorporation (<i>Note (a)</i>)	50,000	345
At 1 January 2019	50,000	345
Increase in ordinary shares of HK\$0.01 each (<i>Note (b)</i>)	38,000,000	336
Cancellation of ordinary shares of US\$1 each (<i>Note (b)</i>)	(50,000)	(345)
At 30 June 2019, 1 January 2020	38,000,000	336
Increase in ordinary shares of HK\$0.01 each (<i>Note (d)</i>)	3,962,000,000	35,658
At 30 June 2020	4,000,000,000	35,994
Issued and fully paid:		
Issue of ordinary share of US\$1 upon incorporation (<i>Note(a)</i>)	1	—*
At 1 January 2019	1	—*
Issue of ordinary share of HK\$0.01 each (<i>Note (b)</i>)	780	—*
Repurchase of ordinary share of US\$1 each (<i>Note (b)</i>)	(1)	—*
Issue of ordinary shares of HK\$0.01 each (<i>Note (c)</i>)	9,220	—*
At 30 June 2019, 1 January 2020 and 30 June 2020	10,000	—*

* Represents the amount less than RMB1,000

18. SHARE CAPITAL (CONTINUED)

Notes:

- (a) On 9 October 2018, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. Upon its incorporation, one ordinary share of US\$1 each as fully paid (the “**USD-denominated Share**”) was allotted and issued.
- (b) On 8 January 2019, the authorised share capital of the Company was increased by HK\$380,000 by the creation of 38,000,000 new ordinary shares of a par value of HK\$0.01 each. The Company allotted and issued 780 such new ordinary shares as fully paid. At the same time, the Company repurchased the USD-denominated Share at a consideration of US\$1 and the USD-denominated Share was cancelled upon repurchase. Immediately following such repurchase, the Company cancelled the 50,000 authorised but unissued shares of a par value of US\$1 each in the share capital of the Company.
- The authorised and the issued share capital of the Company was redenominated from US Dollar to Hong Kong Dollar.
- (c) On 20 May 2019, the Company allotted and issued 9,220 ordinary shares pursuant to reorganisation. All the ordinary shares were credited as fully paid.
- (d) On 10 June 2020, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares to HK\$40,000,000, divided into 4,000,000,000 shares each by the creation of an additional 3,962,000,000 ordinary shares.

19. CAPITAL COMMITMENT

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Commitments for property, plant and equipment:		
Contracted but not provided	—	360

20. RELATED PARTY TRANSACTION

- (a) Save as disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period.

Name of related companies	Relationship	Nature of transactions	Six months ended 30 June	
			2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Guangyuan Tongchuang	Joint venture	Sales	—	709
Guangyuan Tongchuang	Joint venture	Purchases	—	28,018
Guangyuan Tongchuang	Joint venture	Rental income	—	530
Guangyuan Tongchuang	Joint venture	Utility expenses	—	49

The above related party transactions were conducted in accordance with terms mutually agreed between the parties.

- (b) As at 30 June 2020, there was amount due from a shareholder, Mr. Dang Fei with amount of RMB211,000 (31 December 2019: 5,000), which is unsecured, non-interest bearing, repayable on demand, non-trade in nature and will be settled prior to the Listing.
- (c) As at 30 June 2020 and 31 December 2019, close family members of the directors of the Company pledged their property as a security for the bank borrowings as set out in Note 17.
- (d) As at 30 June 2020 and 31 December 2019, directors of the Company pledged their properties as securities for the bank borrowings as set out in Note 17.

20. RELATED PARTY TRANSACTION (CONTINUED)

(e) Compensation to key management personnel

Remuneration for key management personnel of the Group during the period is as follows:

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Salaries, allowances and other benefits	315	309
Contributions to defined contribution retirement plan	12	41
	327	350

(f) As at 30 June 2020 and 31 December 2019, the Group's key management personnel and their close family members pledged their properties as securities for the bank borrowings as set out in Note 17.

21. Events after the reporting period

The following significant events took place subsequent to 30 June 2020:

- (a) Pursuant to the resolutions passed by the shareholders of the Company on 10 June 2020, the issue of a total 599,990,000 shares by the Company to the shareholders on a pro-rata basis by way of capitalising an amount of HK\$5,999,900 from the share premium account of the Company was completed (the “**Capitalisation Issue**”).
- (b) The Company’s shares were listed on GEM of the Stock Exchange on 10 July 2020 and 200,000,000 ordinary shares were issued at HK\$0.3 per share on 10 July 2020. After deducting related listing expenses, the net proceeds of the share offer is approximately HK\$20,600,000 (equivalent to approximately RMB18,600,000).

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 and Guangyuan of Sichuan Province, the PRC. The Group's products can be broadly classified into four categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; and (iv) other products, which comprise cable accessories. The Group's portfolio of finished wires and cables products comprises classic and special products. Apart from finished wires and cables, the Group also produce semi-finished wires comprising aluminium rods and bare copper wires to maximise the Group's market exposure and enlarge its market share.

During the six months ended 30 June 2020, 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.

There has been an outbreak of a highly contagious respiratory disease (COVID-19) in China in late 2019. As a result of the outbreak of COVID-19 and the corresponding public health measures taken by the PRC government, the operation of the Group was suspended from the Lunar New Year holiday to 2 March 2020. The production and business operation of the Group had recovered since the second quarter of 2020.

On 10 July 2020 (the "**Listing Date**"), the shares of the Company (the "**Share(s)**"), shares were successfully listed on GEM (the "**Listing**"). For further details of our Group's business objectives, strategies and implementation plans, please refer to the section headed "Future Plans and Use of Proceeds" in the prospectus by the Company dated 24 June 2020 (the "**Prospectus**") and the section headed "Use of Proceeds from the Listing" in this report.

FUTURE PROSPECTS

The economic outlook and operating environment of the PRC are anticipated to be more challenging in the second half of 2020 as a result of COVID-19 outbreak. The medium-to-long-term economic growth of the PRC has slowed down. The declining global industrial output and depressed trading added to the uncertainties to the operating environment of the market.

The Group will continue to adopt a pragmatic and positive approach to develop the business to enhance the profitability of the Group and interests of the shareholders of the Company. Particularly, benefiting from the Western Development Strategy (《西部大開發戰略》), Sichuan Province has long been acting an important role in the economic development of Southwest China. The development of multiple industries such as power generation, infrastructure construction, communication and petrochemical has created a strong demand for wire and cable products.

Thus, the Group is positive that the financial performance in coming years will be improved.

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

period ended 30 June

	Revenue		Gross profit		Gross profit margin	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2020	2019
Classic finished wires and cables						
Copper wires and cables	16,806	38,941	2,357	5,629	14.0%	14.5%
Aluminium wires and cables	51,603	78,453	3,119	3,930	6.0%	5.0%
Special finished wires and cables						
Copper wires and cables	4,550	8,844	1,309	2,062	28.8%	23.3%
Aluminium wires and cables	21,524	—	4,834	—	22.5%	—
Semi-finished wires						
Bare copper wires	44,243	24,463	651	282	1.5%	1.2%
Aluminium rods	69,252	68,615	2,523	2,429	3.6%	3.5%
Aluminium products	—	44,914	—	1,317	—	2.9%
Others	572	—	92	—	16.1%	—
	208,550	264,230	14,885	15,649	7.1%	5.9%

During the period under review, the Group generated its revenue mainly from the manufacturing and sales of wires and cables and sales of aluminium products in the PRC. The Group recorded a turnover of approximately RMB208.6 million, representing a decrease of approximately 21.1% as compared with that in the corresponding period in 2019, The decrease in revenue was mainly due to the outbreak of COVID-19, which caused a temporary suspension of the operation of the production facilities from the Lunar New Year holiday to March 2020 and the reduction in sales.

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 decreased from RMB248.6 million for the six months ended 30 June 2019 to RMB193.7 million for the six months ended 30 June 2020, representing a decrease of RMB54.9 million, or 22.1%, which was in line with the revenue reduction of 21.1%.

Gross profit and gross profit margin

For the six months ended 30 June 2019 and 2020, our gross profit amounted to RMB15.6 million and RMB14.9 million, respectively, with a gross profit margin of 5.9% and 7.1%, respectively. In general, the gross profit margin of special finished wires and cables is higher than other products. During the six months ended 30 June 2020, the gross profit margin increased due to (i) the increased revenue contribution from sales of high-margin special finished wires and cables during six months ended 30 June 2020 by approximately RMB17.2 million, or 194.8%; and (ii) the cessation of trading of low-margin aluminium products during the six months ended 30 June 2020.

Other income and gains

Other income and gains dropped from approximately RMB10.0 million for the six months ended 30 June 2019 to approximately RMB1.4 million for the six months ended 30 June 2020. The decrease is mainly due to (i) the decrease in government grants and subsidies as compared to for the six months ended 30 June 2019 due to the receipt of one-off government grants of approximately RMB5.6 million in for the six months ended 30 June 2019 while such one-off government grants were not available in for the six months ended 30 June 2020 and the PRC government postponing the payment of government grants and subsidies of approximately RMB2.5 million in the first quarter of 2020 under the impact of COVID-19; and (ii) no agency fee income was recorded during for the six months ended 30 June 2020 following the cessation of all aluminium oxide agency service arrangements in December 2019 whereas approximately RMB2.5 million was recorded in for the six months ended 30 June 2019.

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 RMB0.8 million or 25.2% in 2020 which was in line with the drop of revenue in 2020.

Administrative and other expenses

The Group's administrative and other expenses mainly consist of (i) staff wages and benefits, (ii) depreciation of property, plant and equipment, (iii) legal and professional fees, (iv) guarantee fees, (v) entertainment and travelling expenses and others.

Administrative and other expenses increased from RMB6.8 million for the six months ended 30 June 2019 to RMB6.9 million for the six months ended 30 June 2020, representing an increase of RMB0.1 million, or 2.1%. The increase was mainly due to the increase in staff wages and benefits of approximately RMB0.5 million resulting from the increment of headcount during the six months ended 30 June 2020.

Finance costs

Finance costs of the Group had increased from approximately HK\$4.2 million for the six months ended 30 June 2019 to approximately HK\$4.5 million for the six months ended 30 June 2020. The increase in amount was mainly contributed to the increase in average amount of borrowings during the six months ended 30 June 2020.

Share of profit of joint venture

No share of profit of a joint venture was recorded during the six months ended 30 June 2020 because the entity in the joint venture had become a subsidiary of the Group in April 2019 through the completion of acquisition. For details, please refer to the section headed "Guangyuan Tongchuang" in the Prospectus.

Income tax expense

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 Group's taxation decreased by approximately RMB1.2 million from approximately RMB1.4 million for the six-month period ended 30 June 2019 to approximately RMB0.3 million for the period under review. The decrease in taxation was due to the decrease in taxable income during the six months ended 30 June 2020.

Profit attributable to owners for the period

For the six months ended 30 June 2020, a profit attributable to owners of the Company of approximately RMB1.1 million, representing a decrease of approximately 83.7% as compared with that in the corresponding period in 2019, as a result of the combined effects as discussed above.

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 2020, the Group had cash and cash equivalents of approximately RMB8.1 million and (31 December 2019: RMB2.7 million).

As at 30 June 2020, the total equity attributable to equity holders of the Company amounted to approximately RMB112.9 million (31 December 2019: approximately RMB111.8 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 2020 was 79.9% (31 December 2019: 71.5%). During the six months ended 30 June 2020, the Group did not employ any financial instrument for hedging purpose.

CHARGES ON GROUP'S ASSETS

As at 30 June 2020, the following assets was pledged to secure the Group's bank borrowings:

Pledged assets	Net carrying amounts as at 30 June 2020 RMB'000	Net carrying amounts as at 31 December 2019 RMB'000
Buildings	29,859	31,513
Land use rights	6,741	6,834
Plant and machinery	2,893	3,075
Inventories	2,509	–
	42,002	41,422

As at 30 June 2020, the following assets was pledged to secure the Group's other borrowings:

Pledged assets	Net carrying amounts as at 30 June 2020 RMB'000	Net carrying amounts as at 31 December 2019 RMB'000
Buildings	16,885	17,201
Land use rights	959	970
Trade receivables	20,965	2,797
	38,809	20,968

As at 30 June 2020, the following assets was pledged to secure the Group's Sale and leaseback liabilities:

Pledged assets	Net carrying amounts as at 30 June 2020 RMB'000	Net carrying amounts as at 31 December 2019 RMB'000
Plant and machinery	8,469	5,237

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 2020 (31 December 2019: RMB0.4 million).

CONTINGENT LIABILITIES

As at 30 June 2020, there was one outstanding material civil claim made against the Group, which was the claim from Guizhou Galuminium Aluminium-oxide Co., Ltd. (“**Guizhou Galuminium**”). For details, please refer to the section headed “Business — Litigation — Potential claim against our Group” in the Prospectus. The Group was in negotiations with Guizhou Galuminium as at 30 June 2020 for settlement of the claim. In July 2020, under the mediation of the People’s Court of Qingzhen City, Guizhou Province, the Group settled the case with Guizhou Galuminium for a settlement sum of approximately RMB1.5 million paid to Guizhou Galuminium. Subsequently, in early August 2020, Guangyuan Hong Sheng Aluminium Technology Company Limited fully indemnified the Group the same amount as the settlement sum mentioned above. As a result, the Group had no loss arising from such case.

Except for the above, the Group had no material contingent liabilities as at 30 June 2020.

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 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of 243 full-time employees (30 June 2019: 232 full-time employees). Total employee benefit expenses for the six months ended 30 June 2020 and the six months ended 30 June 2019 were approximately RMB5.1 million and approximately RMB5.0 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 reorganisation undertaken by the Group for the purpose of Listing as disclosed in the Prospectus, there was no significant investment held, material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2020, and there was no plan for material investment or capital assets as at the date of this report.

USE OF NET PROCEEDS FROM THE LISTING

The net proceeds (the “**Net Proceeds**”) from the Listing, after deducting listing-related expenses, were approximately HK\$20.6 million (equivalent to approximately RMB18.6 million). The Net Proceeds will be applied by the Group for the purposes in accordance with the section headed “Future Plans and Use of Proceeds” as set out in the Prospectus. Details of the intended use of Net Proceeds are set out below:

	Approximately percentage of the total amount	Amount of net proceeds allocated HK\$'000	Amount utilised up to 30 June 2020 HK\$'000	Expected time frame for remaining unused net proceeds (Note)
Expanding our existing production facilities and production plant	55.0%	11,330	—	By 31 December 2020
Repaying part of our existing loan	25.0%	5,150	—	By 31 December 2020
Funding the upfront costs for the commercial production of the Shuneng Plant	10.0%	2,060	—	By 31 December 2020
Used for general working capital of our Group	10.0%	2,060	—	By 31 December 2020
	100.0%	20,600	—	

Note: The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

As at 30 June 2020, the Shares had not yet listed and commenced their dealings on GEM. The Net Proceeds had not yet been utilised as at 30 June 2020.

INTERIM DIVIDENDS

The Board resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Shares were first listed on GEM on 10 July 2020. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the six months ended 30 June 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules.

The Company has complied with the code provisions of the CG Code from the Listing Date up to the date of this report, other than the code provision A.2.1. CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Dang Fei ("**Mr. Dang**") is the chairman and the chief executive officer of the Company. In view of Mr. Dang being one of the co-founders of the Group and has been managing the Group's business and supervising overall strategic planning since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Dang taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). The Company, having made specific enquiry to all the Directors, is not aware of any non-compliance with the required standard of dealings and the Model Code since the Listing Date and up to the date of this report.

Pursuant to Rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he would be prohibited from dealings by the Model Code as if he was a Director.

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Alliance Capital Partners Limited (the “**Compliance Adviser**”) to be the compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. As notified by the Compliance Adviser, as at the date of this report, save for the compliance adviser agreement dated 20 August 2018 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

The Shares were not listed on the Stock Exchange as of 30 June 2020. Accordingly, Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the “**SFO**”) and section 352 of the SFO and the Model Code were not applicable to the Directors or chief executive of the Company as of 30 June 2020.

As at the date of this report, 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/ chief executive	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest
Mr. Dang Fei	Interest in controlled corporation (<i>Note 1</i>) Interest held jointly with another person (<i>Note 2</i>)	351,280,000	43.91%
Mr. Wang Xiaozhong	Interest in controlled corporation (<i>Note 3</i>)	99,760,000	12.47%
Ms. Luo Xi	Interest in controlled corporation (<i>Note 4</i>)	9,520,000	1.19%

Notes:

1. 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.
2. Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun will together control 43.91% of the issued share capital of the Company.
3. 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.
4. 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 the date of this report, 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 2020, the Shares were not listed on GEM. Accordingly, Divisions 2 and 3 of Part XV of the SFO, section 336 of the SFO and the Model Code were not applicable to the Company.

As at the date of this report, 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	43.91%
Mr. Dang Jun	Interest held jointly with another person (<i>Note 2</i>)	351,280,000	43.91%
Ms. Li Li	Interest of spouse (<i>Note 3</i>)	351,280,000	43.91%
Xseven Investment	Beneficial owner (<i>Note 4</i>)	99,760,000	12.47%
Ms. Gao Hong	Interest of spouse (<i>Note 5</i>)	99,760,000	12.47%

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 will together control 43.91% of the issued share capital of the Company.
3. Ms. Li Li is the spouse of Mr. Dang Jun. Under the SFO, Ms. Li Li is deemed to be interested in the same number of Shares held by Mr. Dang Jun.
4. The Shares were held by Xseven Investment. Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong.
5. Ms. Gao Hong is the spouse of Mr. Wang Xiaozhong. Under the SFO, Ms. Gao Hong is deemed to be interested in the same number of Shares owned by Mr. Wang Xiaozhong.

Save as disclosed above, as at the date of this report, 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 2020.

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

Except for the Capitalisation Issue, the Listing and the updates in relation to the civil claim with Guizhou Galuminium as mentioned in the paragraph headed “Management discussion and analysis – Contingent liabilities” above in this report, no significant events occurred subsequent to 30 June 2020 and up to the date of this report.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established an audit committee on 10 June 2020 with its terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraphs C.3.3 and C.3.7 of the CG Code. The audit committee consists of three members, namely, Mr. Chan Oi Fat, Dr. Zuo Xinzhang and Ms. Hu Xiaomin, all being independent non-executive Directors. Mr. Chan Oi Fat currently serves as the chairman of the audit committee.

The 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 2020 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 Holdings Group Limited
Dang Fei
Chairman and Executive Director

Hong Kong, 10 August 2020

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 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.