

SAFTOWER

—— 蜀塔集团 ——

中國蜀塔國際控股集團有限公司

China Saftower International Holding Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8623



THIRD QUARTERLY
REPORT
2022

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*This report, for which the directors (the “**Directors**” or individually a “**Director**”) of China Saftower International Holding Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively referred to as the “**Group**”, “**We**”, “**our**” or “**us**”). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*



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BOARD OF DIRECTORS

Executive Directors

Mr. Dang Fei (*Chairman and chief executive officer*)

Mr. Wang Xiaozhong

Ms. Luo Xi

Mr. Luo Qiang

Non-executive Director

Mr. Wang Haichen

Independent non-executive Directors

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

Ms. Hu Xiaomin

COMPANY SECRETARY

Mr. Woo Yuen Ping

COMPLIANCE OFFICER

Mr. Wang Xiaozhong

AUTHORISED REPRESENTATIVES

Mr. Woo Yuen Ping

Mr. Dang Fei

AUDIT COMMITTEE

Mr. Chan Oi Fat (*Chairperson*)

Dr. Zuo Xinzhang

Ms. Hu Xiaomin

REMUNERATION COMMITTEE

Ms. Hu Xiaomin (*Chairperson*)

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

NOMINATION COMMITTEE

Mr. Dang Fei (*Chairperson*)

Dr. Zuo Xinzhang

Mr. Chan Oi Fat

Ms. Hu Xiaomin

INDEPENDENT AUDITOR

BDO Limited

(*Certified Public Accountants*)

COMPLIANCE ADVISER

Alliance Capital Partners Limited

LEGAL ADVISER

(*As to Hong Kong law*)

ONC Lawyers

REGISTERED OFFICE

4th Floor, Harbour Place

103 South Church Street

P.O. Box 10240

Grand Cayman KY1-1002

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 9, Huaide Road, Sichuan-Zhejiang

Cooperation Industrial Park,

Guangyuan Economic and

Technological Development Zone,

Guangyuan, Sichuan Province,

the PRC

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

Unit D, 17/F,
8 Hart Avenue,
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Company
Limited
Chengdu Pidu Branch
No. 178-188, Kehua Second Road,
Pitong Town
Pidu District, Chengdu
Sichuan Province
PRC

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

Chengdu Rural Commercial Bank
Company Limited
Pidu Hongxing Branch
No. 198 Wangcong East Road,
Pitong Town
Pidu District, Chengdu
Sichuan Province
PRC

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE IN
CAYMAN ISLANDS**

Appleby Global Services (Cayman) Limited
71 Fort Street, PO Box 500
George Town
Grand Cayman KY1-1106
Cayman Islands

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER
OFFICE**

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

8623

COMPANY'S WEBSITE

www.saftower.cn

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2022, together with the unaudited comparative figures of the corresponding period in 2021 as follows:

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

For the nine months ended 30 September 2022

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	470,361	386,823	120,871	182,286
Cost of sales		(483,254)	(379,758)	(127,786)	(183,606)
Gross (loss)/profit		(12,893)	7,065	(6,915)	(1,320)
Other income and gains	5	15,422	9,349	2,659	6,313
Selling and distribution expenses		(4,527)	(2,777)	(1,291)	(1,211)
Administrative and other expenses		(16,201)	(15,957)	(5,959)	(4,468)
Finance costs	6	(10,527)	(6,601)	(2,697)	(1,952)
Loss before income tax expense	7	(28,726)	(8,921)	(14,203)	(2,638)
Income tax credit	8	3,858	1,974	2,319	1,083
Loss for the period		(24,868)	(6,947)	(11,884)	(1,555)
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(70)	(115)	(100)	184
Total comprehensive income for the period		(24,938)	(7,062)	(11,984)	(1,371)
Loss for the period attributable to:					
Owners of the Company		(21,006)	(6,451)	(8,993)	(1,211)
Non-controlling interests		(3,862)	(496)	(2,891)	(344)
		(24,868)	(6,947)	(11,884)	(1,555)

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

For the nine months ended 30 September 2022

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Total comprehensive income for the period attributable to:					
Owners of the Company		(21,076)	(6,566)	(9,093)	(1,027)
Non-controlling interests		(3,862)	(496)	(2,891)	(344)
		(24,938)	(7,062)	(11,984)	(1,371)
Loss per share for the loss attributable to owners of the Company during the period (expressed in RMB cents per share)					
— Basic and diluted	10	(2.28)	(0.76)	(0.98)	(0.13)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	Equity attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserves RMB'000	Retained earnings/ Accumulated loss RMB'000	Statutory reserves RMB'000	Foreign exchange reserves RMB'000	Sub-Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at 1 January 2022	8,222	37,111	69,696	11,002	7,730	(474)	133,287	27,804	161,091
Loss for the period	–	–	–	(21,006)	–	–	(21,006)	(3,862)	(24,868)
Other comprehensive income	–	–	–	–	–	(70)	(70)	–	(70)
Total comprehensive income for the period	–	–	–	(21,006)	–	(70)	(21,076)	(3,862)	(24,938)
Balance as at 30 September 2022	8,222	37,111	69,696	(10,004)	7,730	(544)	112,211	23,942	136,153
Balance as at 1 January 2021	7,226	30,642	69,696	36,232	7,724	(535)	150,985	25,159	176,144
Loss for the period	–	–	–	(6,451)	–	–	(6,451)	(496)	(6,947)
Other comprehensive income	–	–	–	–	–	(115)	(115)	–	(115)
Total comprehensive income for the period	–	–	–	(6,451)	–	(115)	(6,566)	(496)	(7,062)
Issue of new shares by way of subscription net of expenses (Note (j))	7,466	–	–	–	–	–	7,466	–	7,466
Acquisition of a subsidiary	–	–	–	–	–	–	–	3,183	3,183
Balance as at 30 September 2021	14,692	30,642	69,696	29,781	7,724	(650)	151,885	27,846	179,731

* Represents the amount less than RMB1,000

Notes:

- (i) Pursuant to the subscription agreement dated 27 May 2021, a total of 120,000,000 subscription shares were allotted and issued to a subscriber, an independent third party, at a subscription price of HK\$0.075 per subscription share on 17 June 2021. The gross proceeds from the said subscription amounted to approximately HK\$9,000,000 and the related issue expenses were approximately HK\$10,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2022

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (as revised) of the Cayman Islands on 9 October 2018. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and its principal place of business in the People's Republic of China (the "PRC") is No. 9, Huaide Road, Sichuan-Zhejiang Cooperation Industrial Park, Guangyuan Economic and Technological Development Zone, Guangyuan, Sichuan Province, the PRC. The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of wires and cables and manufacturing and sale of aluminium products in the PRC.

The shares of the Company (the "Share(s)") were listed on GEM of the Stock Exchange on 10 July 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

These unaudited consolidated financial statements of the Group for the nine months ended 30 September 2022 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standard ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules.

These unaudited consolidated financial statements for the nine months ended 30 September 2022 and notes do not include all of the information and disclosures required for a complete set of financial statements prepared in accordance with HKFRSs and should be read in conjunction with the accountants' report included in the annual report for the year end 31 December 2021 of the Company dated 31 March 2022 (the "Accountants' Report").

The adoption of the new and revised HKFRSs has had no significant effect on these unaudited consolidated financial statements for the nine months ended 30 September 2022 and there have been no significant changes to the accounting policies applied in these unaudited consolidated financial statements for the nine months ended 30 September 2022.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

(CONTINUED)

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

These unaudited consolidated financial statements for the nine months ended 30 September 2022 have been prepared under the historical cost basis.

These unaudited consolidated financial statements for the nine months ended 30 September 2022 are presented in Renminbi ("**RMB**"), unless otherwise stated.

These consolidated financial statements have not been audited or reviewed by the Company's independent auditor, but have been reviewed by the audit committee of the Board (the "**Audit Committee**").

3. SEGMENT REPORTING

Operating segments

During the nine months ended 30 September 2022 and 30 September 2021, the Group was principally engaged in manufacturing and sales of wires and cables and manufacturing and sales of aluminium products in the PRC. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole. The Group's resources are integrated and as a result, no discrete operating segment financial information is available. For management purpose, the Group has only one reportable operating segment which is the manufacturing and sales of wires and cables and manufacturing and sales of aluminium products. Accordingly, no operating segment information is presented.

Geographic information

The Group's revenue during the nine months ended 30 September 2022 and 30 September 2021 was all derived from customers based in the PRC and all the Group's non-current assets are located in the PRC. Therefore, no geographical segment reporting is presented.

4. REVENUE

Revenue represents the amount received and receivable from manufacturing and sales of wires and cables and manufacturing and sales of aluminium products during the period.

	Nine months ended 30 September		Three months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 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	171,857	322,962	58,633	118,586
Manufacturing and sales of aluminium products, recognised at a point in time	298,504	63,861	62,238	63,700
	470,361	386,823	120,871	182,286

5. OTHER INCOME AND GAINS

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest income		2,062	35	836	16
Government grants and subsidies	(i)	11,560	8,556	1,640	6,209
Sales of scrap metals and consumables		8	140	4	6
Rental income	(ii)	346	249	151	—
Net realised and unrealised gain/(loss) on financial assets at fair value through profit or loss		691	—	(48)	—
Others		755	369	76	82
		15,422	9,349	2,659	6,313

Notes:

- i. The Group received government grants and subsidies in relation to the support of the Group's operations, purchase of plant and machinery, the reward of the employment of disabled people in the PRC and enjoy a value-added tax subsidy of 30% on products and labor services for comprehensive utilization of resources. There were no unfulfilled conditions in relation to the grants and subsidies.
- ii. During the nine months ended 30 September 2022 and 2021, the Group leased its machine to an independent third party with the lease period within one year.

6. FINANCE COSTS

	Nine months ended 30 September		Three months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest expenses on bank and other borrowings	9,476	6,526	1,853	1,940
Interest expenses on lease liabilities	273	38	72	12
Others	953	205	794	—
Finance expenses	10,702	6,769	2,719	1,952
Finance cost capitalised in construction-in progress	(175)	(168)	(22)	—
Finance costs recognised in profit or loss	10,527	6,601	2,697	1,952

7. LOSS BEFORE INCOME TAX EXPENSE

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

	Nine months ended 30 September		Three months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Costs of inventories recognised as expense	483,254	379,758	127,786	183,606
Auditor's remuneration	21	—	21	—
Depreciation of property, plant and equipment	6,470	5,409	1,702	1,593
Depreciation of right-of-use assets	1,916	726	271	243
Amortisation of intangible assets	28	26	9	9
Research and development costs (other than amortisation costs)	643	823	188	261
Release of deferred income	(276)	(276)	(92)	(92)
Allowance for/(reversal of) expected credit losses on trade receivables	593	304	(29)	(1,317)
Employee costs (including directors' remuneration Wages, salaries, allowances and other benefits)	8,507	7,771	1,829	2,710
Contributions to defined contribution retirement plan	2,057	1,932	711	968
	10,564	9,703	2,540	3,678

8. INCOME TAX CREDIT

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

	Nine months ended 30 September		Three months ended 30 September	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Income tax expense/(credit)	—	—	(252)	(60)
Deferred tax credit	(3,858)	(1,974)	(2,067)	(1,023)
Income tax credit	(3,858)	(1,974)	(2,319)	(1,083)

No Hong Kong profits tax was provided during the nine months ended 30 September 2022 (nine months ended 30 September 2021: nil) as the Group has no estimated assessable profit in Hong Kong during the period (nine months ended 30 September 2021: nil).

Provision for the Enterprise Income Tax (“**EIT**”) in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profits as determined in accordance with the income tax laws and regulations applicable to the operating subsidiaries in the PRC except certain subsidiaries are entitled to a 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 is subject to a preferential EIT tax rate of 15% during the nine months ended 30 September 2022 and 30 September 2021.

* English translated names are for identification purpose only

8. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

廣元同創新材料有限公司 (Guangyuan Tongchuang New Materials Company Limited*) (“**Guangyuan Tongchuang**”) is subject to 10% income tax concession due to the preferential tax policy of the development of the western region fulfilled for the nine months ended 30 September 2022 and 30 September 2021. According to “Circular on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy” (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) (財稅[2011] 58 號), from 1 January 2010 to 31 December 2020, and its extension policy which is effective from 1 January 2021 to 31 December 2030, EIT imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

9. DIVIDEND

The Directors resolved not to recommend the payment of any interim dividend for the nine months ended 30 September 2022 and 30 September 2021.

10. LOSS PER SHARE

The calculation of loss per share attributable to owners of the Company for the period is based on the loss attributable to owners of the Company for the nine months ended 30 September 2022 of RMB21,062,000 (nine months ended 30 September 2021: RMB6,451,000), and the weighted average number of ordinary Shares of 920,000,000 in issue (nine months ended 30 September 2021: 846,593,407).

Diluted loss per share are same as the basic loss per share as there are no dilutive potential ordinary shares in existence during the nine months ended 30 September 2022 and 30 September 2021.

* English translated names are for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a regional manufacturer and supplier of wires and cables and also engages in processing of aluminium cast-rolled coil and aluminium plate foil, with integrated production facilities situated in Chengdu, Guangyuan and Yaan of Sichuan Province, the PRC. The Group's products can be broadly classified into five categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; (iv) cast-rolled coil; and (v) other products, which comprise cable accessories. The Group's portfolio of finished wires and cables products comprises classic and special products. Apart from finished wires and cables, the Group also produces semi-finished wires comprising aluminium rods and bare copper wires to maximise the Group's market exposure and enlarge its market share.

During the nine months ended 30 September 2022 (the "Period"), the Group continued to engage in the manufacturing and sales of wires and cables and aluminium products and continued to serve a large number of customers, mainly power companies, manufacturing enterprises, construction and renovation companies as well as trading companies which purchase products from the Group for onward sale on their own accounts.

FUTURE PROSPECTS

Benefiting from the Western Development Strategy ("西部大開發戰略"), Sichuan Province has long been acting an important role in the economic development of Southwest China. The development of multiple industries such as power generation, infrastructure construction, communication and petrochemical has created a strong demand for wire and cable products. The Guangyuan government has enacted policies for actively developing aluminium industry. The Company is closely monitoring the process and will seize the opportunity arising out of the government policy to drive the Company's growth. Meanwhile, our Group is looking for business opportunities to expand our influence in Southwest China and reduce regional concentration which may include expansion into other segments within aluminium industry as well as geographical expansion that may add value to the Group's operation. The Group is evaluating various opportunities and will issue announcements to inform investors and shareholders according to the GEM Listing Rules once any of these opportunities are materialised.

Considering the cost of metal has reached its peak during the Period and the cost of raw materials is expected to decrease gradually, together with the integrated resources, and the 30% value added tax levying and immediate refund enjoyed by the Group as well as the subsidy provided by the Yaan local government, the Group may benefit from these factors and capture the opportunities. As the Group is in the course of developing the metal recycling system through Yaan Baosheng Metal Material Company Limited* (雅安寶盛金屬材料有限公司) ("Yaan Baosheng"), a PRC licensed aluminium recycler which the Group is currently holding 70% of the equity interest, it is contemplated that the Yaan local government will continue to grant subsidies to the Group in the future.

Amid the unprecedented uncertainty over the pandemic and recovery at economy, the Group will continue to adopt a pragmatic and positive approach to develop the Group's business and to enhance the profitability of the Group and interests of the shareholders of the Company. Although the Directors remain confident in the long-term business outlook and the core competencies of the Group, the financial results of the Group in the last quarter of 2022 may potentially be affected as a result of the uncertainty and negative impact brought by the outbreak of the pandemic.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of our revenue derived from our major operating subsidiaries by key product types after elimination of intra-group transactions during the review periods:

For the nine month
ended 30 September

	Revenue		Gross (loss)/profit		Gross (loss)/profit margin	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022	2021
Classic finished wires and cables						
Copper wires and cables	6,663	31,915	(772)	1,131	(11.6%)	3.5%
Aluminium wires and cables	104,532	78,528	1,288	2,559	1.2%	3.3%
Special finished wires and cables						
Aluminium wires and cables	—	38,923	—	6,079	—	15.6%
Semi-finished wires						
Bare copper wires	22,038	117,375	63	1,234	0.3%	1.1%
Aluminium rods	38,624	55,479	764	(188)	2.0%	(0.3%)
Cast-rolled coil	295,805	63,861	(14,359)	(3,868)	(4.9%)	(6.1%)
Others	2,699	742	123	118	4.6%	15.9%
	470,361	386,823	(12,893)	7,065	(2.7%)	1.8%

During the Period under review, the Group generated its revenue mainly from the manufacturing and sales of wires and cables and manufacturing and sales of aluminium products in the PRC. The Group recorded a turnover of approximately RMB470.4 million, representing an increase of approximately 21.6% compared to that of the corresponding period in 2021. The increase in revenue was mainly due to the increase in sale of cast-rolled coil of approximately RMB295.8 million from Yaan Baosheng.

Cost of sales

The Group's cost of sales mainly consists of (i) raw materials costs, (ii) aluminium products costs, and (iii) finished products from sub-contractors and depreciation and overhead. Cost of sales increased from RMB379.8 million for the nine months ended 30 September 2021 to RMB483.3 million for the nine months ended 30 September 2022, representing an increase of RMB103.5 million, or 27.3%. The increase of cost of sales was due to the drastic increase in the average aluminium prices in the market during the Period. The closing price of international aluminium price quoted on the London Metal Exchange was approximately US\$2,800 per tonne as at 31 December 2021, which increased to the highest point of approximately US\$4,000 per tonne as at 7 March 2022. The international aluminium prices subsequently decreased in the latter half of 2022. However, the Group was unable to pass on the increase in the cost to the products by raising the unit price of the Group's products during the Period.

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

For the nine months ended 30 September 2022, our gross loss amounted to RMB12.9 million, representing gross loss margin of 2.7%. For the nine months ended 30 September 2021, our gross profit amounted to RMB7.1 million, while our gross profit margin was 1.8%. The gross loss and the gross loss margin recorded during the Period was mainly attributable to (i) the substantial increase in the cost of material as the average aluminium prices increased significantly during the Period as mentioned above, and the Group was unable to pass on the increase in the cost to the products by raising the unit price of the products; and (ii) the widespread heat wave and drought suffered in central and western part of the PRC from July to September 2022, which caused power shortage as a result of the decrease in hydro-electricity output. The shortage of power led to temporary suspension of work of some of the plants of the Group. With the fixed costs of production remained unchanged, the decreased in the Group's production utilisation during the Period attributed to the decrease in profit margin.

Other income and gains

Other income and gains increased from approximately RMB9.3 million for the nine months ended 30 September 2021 to approximately RMB15.4 million for the nine months ended 30 September 2022. The increase was mainly attributable to (i) the increase in interest income of approximately RMB2.0 million during the Period; and (ii) the increase in the government grants and subsidy received of approximately RMB3.0 million as a result of the increase in the sales of cast-rolled coil during the Period.

Selling and distribution expenses

The Group's selling and distribution expenses consist of (i) transportation expenses, (ii) staff wages and benefits, (iii) entertainment and travel expenses, and (iv) others.

Selling and distribution expenses increased by RMB1.7 million or 60.7% during the Period as compared to that of the corresponding period in 2021 as a result of the increase of sales and marketing function during the Period.

Administrative and other expenses

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

Administrative and other expenses increased from RMB16.0 million for the nine months ended 30 September 2021 to RMB16.2 million for the nine months ended 30 September 2022, representing an increase of RMB0.2 million, or 1.3% which is stable comparing to the corresponding period.

Finance costs

Finance costs of the Group had increased from approximately HK\$6.6 million for the nine months ended 30 September 2021 to approximately HK\$10.5 million for the nine months ended 30 September 2022. The increase was mainly due to the increase in average amount of borrowings during the nine months ended 30 September 2022. The increase in finance cost during the Period was due to the increase in the level of bank borrowings as a result of the increase in the business volume of Yaan Baosheng during the Period. Yaan Baosheng utilised facilities of approximately RMB83.3 million as at 30 September 2022, as compared to the utilised facilities of approximately RMB2.8 million as at 30 September 2021. The facilities utilised by Yaan Baosheng were made for the purpose of supporting its cash flow and business expansion.

Income tax credit

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising the Group domicile or operate. During the nine months ended 30 September 2022, the Group recorded a tax credit of approximately RMB3.9 million due to recognition of the assessable loss for the period.

Loss attributable to owners of the Company for the period

For the nine months ended 30 September 2022, a loss attributable to the owners of the Company of approximately RMB21.0 million, representing an increase of approximately RMB14.6 million comparing to the corresponding period in 2021, as a result of the combined effects as discussed above.

CONTINGENT LIABILITIES

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

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

Save for the plan for material investment or capital assets as disclosed in the prospectus of the Company dated 24 June 2020 (the “**Prospectus**”), there was no significant investment held, material acquisition or disposal of subsidiaries, associates and joint ventures during the nine months ended 30 September 2022, and there was no plan for material investment or capital assets as at the date of this report.

DIVIDENDS

The Board resolved not to declare any dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Shares during the nine months ended 30 September 2022 and up to the date of this report.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions of the CG Code during the nine months ended 30 September 2022 and up to the date of this report, other than the code provision C.2.1. The code provision C.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Dang Fei ("**Mr. Dang**") is the chairman and the chief executive officer of the Company. In view of Mr. Dang being one of the co-founders of the Group and has been managing the Group's business and supervising overall strategic planning since its establishment, the Board believes that it is in the best interest of the Group to have Mr. Dang taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the code provision C.2.1 is appropriate in such circumstance.

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

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”). The Company, having made specific enquiry to all the Directors, is not aware of any non-compliance with the required standard of dealings and the Model Code for the nine months ended 30 September 2022 and up to the date of this report.

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

INTEREST OF COMPLIANCE ADVISER

The Company has appointed Alliance Capital Partners Limited (the “**Compliance Adviser**”) to be the compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. As notified by the Compliance Adviser, as at the date of this report, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

As at 30 September 2022, the interests and short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 the Laws of Hong Kong) (the “SFO”) held by the Directors and chief executive of the Company which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which would be required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long position in the Shares

Name of Director/ chief executive	Capacity/ Nature of interest	Number of Shares interested	Approximate percentage of interest
Mr. Dang Fei	Interest in controlled corporation (<i>Note 1</i>) Interest held jointly with another person (<i>Note 2</i>)	351,280,000	38.18%
Mr. Wang Xiaozhong	Interest in controlled corporation (<i>Note 3</i>)	99,760,000	10.84%
Ms. Luo Xi	Interest in controlled corporation (<i>Note 4</i>) Beneficial owner	6,350,000 2,160,000	0.69% 0.23%

Notes:

- The Shares were held by Red Fly Investment Limited (“**Red Fly**”). Red Fly is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun. By virtue of SFO, Mr. Dang Fei is deemed to be interested in the same number of Shares held by Red Fly.
- Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun will together control 43.91% of the issued share capital of the Company.
- The Shares were held by Xseven Investment Limited (“**Xseven Investment**”). Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong. Under the SFO, Mr. Wang Xiaozhong is deemed to be interested in the same number of Shares held by Xseven Investment.
- The Shares were held by Lockxy Investment Limited (“**Lockxy Investment**”). Lockxy Investment is owned as to 68% by Ms. Luo Xi. By virtue of SFO, Ms. Luo Xi is deemed to be interested in the same number of Shares held by Lockxy Investment.

Save as disclosed above and so far as known to the Directors, as at 30 September 2022, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to Section 352 of the SFO and the Model Code, to be entered in the register referred to therein, or which would be required pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2022, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fell to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/ Nature of interest	Number of Shares interested (Long position)	Approximate percentage of interest
Red Fly	Beneficial owner (Note 1)	351,280,000	38.18%
Mr. Dang Jun	Interest held jointly with another person (Note 2)	351,280,000	38.18%
Ms. Li Li	Interest of spouse (Note 3)	351,280,000	38.18%
Mr. Fu Chuanrong	Beneficial owner (Note 4)	120,630,000	13.10%
Xseven Investment	Beneficial owner (Note 5)	99,760,000	10.84%
Ms. Gao Hong	Interest of spouse (Note 6)	99,760,000	10.84%

Notes:

1. The Shares were held by Red Fly. Red Fly is owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun.
2. Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to an acting in concert agreement dated 4 July 2019. As such, Mr. Dang Fei and Mr. Dang Jun together control 38.18% of the issued share capital of the Company.

3. Ms. Li Li is the spouse of Mr. Dang Jun. Under the SFO, Ms. Li Li is deemed to be interested in the same number of Shares held by Mr. Dang Jun.
4. On 17 June 2021, a total of 120,000,000 Subscription Shares were allotted and issued to Mr. Fu Chuanrong, at a subscription price of HK\$0.075 per Subscription Share.
5. The Shares were held by Xseven Investment. Xseven Investment is owned as to 100% by Mr. Wang Xiaozhong.
6. Ms. Gao Hong is the spouse of Mr. Wang Xiaozhong. Under the SFO, Ms. Gao Hong is deemed to be interested in the same number of Shares owned by Mr. Wang Xiaozhong.

Save as disclosed above, as at 30 September 2022, the Company had not been notified by any parties (not being a Director or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

COMPETING INTERESTS

The Directors were not aware of any business or interest of the controlling shareholders of the Company or the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business, or had any other conflict of interest with the Group, during the nine months ended 30 September 2022.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "**Share Option Scheme**") on 10 June 2020. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to the Prospectus. No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme as at 30 September 2022.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events occurred subsequent to 30 September 2022 and up to the date of this report which requires disclosure.

AUDIT COMMITTEE AND REVIEW OF THIRD QUARTERLY RESULTS

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

The auditor of the Company has not audited or reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2022 but the Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2022 and was of the opinion that the preparation of such statements complied with applicable accounting standards and the requirements under the GEM Listing Rules, and adequate disclosures have been made.

By order of the Board

China Saftower International Holding Group Limited
Dang Fei

Chairman and Executive Director

Hong Kong, 14 November 2022

As at the date of this report, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi and Mr. Luo Qiang, the non-executive Director is Mr. Wang Haichen and the independent non-executive Directors are Dr. Zuo Xinzhang, Mr. Chan Oi Fat and Ms. Hu Xiaomin.

This report will remain on the "Latest Company Announcements" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the day of its publication. This report will also be published on the Company's website at www.saftower.cn.

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

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