
HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 October 2018. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing and holds the entire interests of eleven subsidiaries, namely Bida Investment, Saftower International, Weichi Investment, Saftower Management, Wechi Int’l, Guangyuan Saftower Technology, Sichuan Saftower, Guangyuan Saftower, Sichuan Liangdian, Lhasa Saftower and Guangyuan Shuneng. As at the Latest Practicable Date, our Company also indirectly held 56.67% equity interest in Guangyuan Tongchuang.

BUSINESS DEVELOPMENT

Our history can be traced back to June 2004 when Mr. Dang Fei and Mr. Wang set up Sichuan Saftower in Pidu District, Chengdu, Sichuan Province, the PRC to engage in the manufacture, processing and sale of wires. Since the establishment of our Group, Mr. Dang Fei has been overseeing the overall corporate development and formulating strategic planning of our Group with the assistance of Mr. Wang. Both Mr. Dang Fei and Mr. Wang have been participating in the day-to-day management of our Group. For details of Mr. Dang Fei and Mr. Wang’s background and experience, see “Directors and Senior Management — Directors — Executive Directors” in this prospectus.


As our business expanded, in 2009, our first production facility was relocated to No. 88 Qingma Road, Modern Industrial Park (South Area), Pidu District, Chengdu, Sichuan Province, the PRC. In May 2010, Sichuan Saftower merged with two other companies engaging in the manufacture and sale of wires and cables, namely Chengdu Xinhongxin New Building Materials Company Limited* (成都欣宏鑫新型建材有限公司) (“**Chengdu Xinhongxin**”) and Chengdu Kaiyuan Electromechanical Equipment Company Limited* (成都市開源機電設備有限責任公司) (“**Chengdu Kaiyuan**”). For details of the mergers, see “Corporate Development — Sichuan Saftower” in this section. After the said mergers, our business expanded to include the manufacture, processing and sale of cables.

In view of the abundance of aluminium in Guangyuan, in February 2015, Nengshi Intelligent Port Sichuan Technology Development Company Limited* (能士智能港四川科技發展有限公司) (“**Nengshi**”), which belongs to a group of companies engaging in the development of products and technology involving internet and telecommunication, and Sichuan Saftower, established Guangyuan Saftower so as to expand the manufacture of aluminium wires and cables as well as aluminium products in our Guangyuan Plant and the sales thereof. At the time of its establishment, Guangyuan Saftower was owned as to 91.27% by Nengshi and 8.73% by Sichuan Saftower. Nengshi is wholly owned by Nengshi Intelligent Port Technology Development Company Limited* (能士智能港科技發展有限公司), which is in turn owned as to 79.78% by Mr. Cen Shaoneng (岑紹能) and 20.22% by Mr. Wang Yanglu (王央露), both of whom are Independent Third Parties. Pursuant to two equity transfers in August 2015 and September 2015, Guangyuan Saftower became wholly owned by Sichuan Saftower. In July 2017, to further develop our manufacturing capability of aluminium wires and cables, we formed a joint venture, namely Guangyuan Tongchuang,

HISTORY, DEVELOPMENT AND REORGANISATION

with Tongsheng Guochuang (a state-owned investment platform of Guangyuan City government) and Mr. Li Zhanwei (李占威) (an Independent Third Party). To better consolidate our position in the market, in January 2018, Guangyuan Saftower and Tongsheng Guochuang established Guangyuan Shuneng with the purpose to produce aluminium rod materials.


In June 2015, in preparation for the listing on the NEEQ, Sichuan Saftower was converted from a limited liability company into a company limited by shares. From October 2015 to June 2018, Sichuan Saftower had been listed on the NEEQ.

Throughout more than 15 years of accumulated experience in the wire and cable industry in the PRC, we have gained customers' confidence in our products through our continuous commitment to product quality, reliability, safety as well as our wide product offering. Our brand  had been awarded "Chengdu City Well-known Trademark (成都市著名商標)" by Chengdu AIC from December 2013 to December 2018 and our "Saftower Brand" wires and cables had been awarded the "Sichuan Famous Brand Products Title" (四川名牌產品稱號) by the Sichuan Provincial People's Government (四川省人民政府) for the period from March 2017 to March 2019. According to the F&S Report, we ranked fourth in the wire and cable market in Sichuan, with a market share of 0.97% by revenue in 2019.

Over the years, we also gradually expanded our sales network to cooperate with some large corporations in Sichuan, including state-owned power companies such as Litai Energy, Sichuan Nengtou Materials Industry Group Co., Ltd. (四川能投物資產業集團有限公司) and Changhong Group.

We have been focusing on product development and product quality improvement. As at the Latest Practicable Date, we had registered 58 patents and had submitted 13 patent applications in the PRC with respect to the wire and cable product development and technology, which are material to our business. With our continuous innovation, we strive to achieve a leading position in the industry.

The key milestones in our development to date are set out below.

Year	Events
June 2004	We established Sichuan Saftower, our principal operating entity, and set up Chengdu Plant, our first production facility.
November 2009	We merged with (i) Chengdu Xinhongxin for the purpose of acquiring the land where our Chengdu Plant is now situated; and (ii) Chengdu Kaiyuan for the purpose of acquiring its capabilities to manufacture and process cables. The mergers were completed in May 2010.
December 2013	Our brand  was awarded "Chengdu City Well-known Trademark (成都市著名商標)" by Chengdu AIC.

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Events
February 2015	Nengshi and Sichuan Saftower established Guangyuan Saftower to expand the manufacture and sale of aluminium wires and cables as well as the sale of aluminium products. Subsequent to two equity transfers from Nengshi to Sichuan Saftower which took place in August 2015 and September 2015, Guangyuan Saftower became wholly owned by Sichuan Saftower.
August 2015	China Quality Certification Centre certified that Sichuan Saftower operated a quality management system that met the standard of GB/T 19001-2016/ISO 9001:2015 for the manufacturing of wires and cables and related management activities.
October 2015 to June 2018	The shares of Sichuan Saftower had been listed on the NEEQ.
December 2016	We were accredited as “High and New Technology Enterprise” (高新技術企業) by the Science and Technology Department of Sichuan Province (四川省科學技術廳), the Finance Department of Sichuan Province (四川省財政廳), Sichuan State Administration of Taxation (四川省國家稅務局) and Sichuan Province Local Taxation Bureau (四川省地方稅務局).
March 2017 to March 2019	Our “Saftower Brand” wires and cables had been awarded the “Sichuan Famous Brand Products Title” (四川名牌產品稱號) by the Sichuan Provincial People’s Government (四川省人民政府).
April 2017	Our Guangyuan Plant commenced production.
July 2017	We established Guangyuan Tongchuang with Tongsheng Guochuang and Mr. Li Zhanwei (李占威) (being an Independent Third Party).
September 2017	Guangyuan Tongchuang commenced the manufacturing, processing and sale of wires and cables as well as aluminium products.
January 2018	Guangyuan Saftower and Tongsheng Guochuang established Guangyuan Shuneng to produce aluminium rod materials.
June 2018	China Quality Certification Centre certified that Sichuan Saftower operated an occupational health and safety management system that met the standard of GB/T 28001-2011/OHSAS 18001:2007 and an environmental management system that met the standard of GB/T 24001-2016/ISO 14001:2015 for the manufacturing of wires and cables and related management activities.

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Events
January 2019	We were awarded the “Guangyuan City Outstanding Private Enterprise*” (廣元市優秀民營企業) by the Chinese Communist Party Guangyuan Municipal Committee (中共廣元市委) and Guangyuan Municipal Government (廣元市人民政府).
April 2019	Guangyuan Shuneng commenced trial production of aluminium rods materials for Guangyuan Tongchuang. We underwent the Tongchuang Equity Acquisition.
November 2019	Guangyuan Shuneng underwent capital reduction and became our indirect wholly-owned subsidiary. We were accredited as “High and New Technology Enterprise” (高新技術企業) by the Science and Technology Department of Sichuan Province (四川省科學技術廳), the Finance Department of Sichuan Province (四川省財政廳) and Sichuan Provincial Tax Service, State Taxation Administration (國家稅務總局四川省稅務局).

CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in the shareholdings of our Company’s subsidiaries since their respective dates of incorporation/establishment:

Investment holding companies

As part of the Reorganisation, we have incorporated investment holding companies including Bida Investment, Saftower International, Weichi Investment, Saftower Management, Wechi Int’l and Guangyuan Saftower Technology. For details, see “Reorganisation” in this section.

Sichuan Saftower

Sichuan Saftower, formerly known as Pixian Sandian Cables Company Limited* (郫縣三電電纜有限責任公司), was established in the PRC on 24 June 2004 as a limited liability company, with an initial registered capital of RMB1 million. It engages in the manufacturing, processing and sale of wires and cables and the sale of aluminium products. At the time of the establishment of Sichuan Saftower, Mr. Dang Fei and Mr. Wang contributed RMB0.5 million and RMB0.5 million, respectively, to the registered capital of Sichuan Saftower. Sichuan Saftower was then owned as to 50% by Mr. Dang Fei and 50% by Mr. Wang.

HISTORY, DEVELOPMENT AND REORGANISATION

On 24 April 2008, Mr. Dang Jun entered into two equity transfer agreements with Mr. Dang Fei and Mr. Wang, respectively, pursuant to which Mr. Dang Fei transferred 5% and Mr. Wang transferred 10% equity interest of Sichuan Saftower to Mr. Dang Jun, respectively. The consideration was fully settled with reference to the then registered capital of Sichuan Saftower. Such transfers were approved by the Administration for Industry and Commerce of Pixian, Chengdu* (成都市郫縣工商行政管理局) (“**Chengdu Pixian AIC**”) on 29 April 2008. Upon completion of the equity transfers, Sichuan Saftower became owned by the following persons and their respective percentage of interest is as follows:

Name of shareholders	Capital contribution <i>RMB'000</i>	Percentage of equity interest	Date of first becoming shareholder
Mr. Dang Fei	450	45.00%	24 June 2004
Mr. Wang	400	40.00%	24 June 2004
Mr. Dang Jun	<u>150</u>	<u>15.00%</u>	24 April 2008
Total	<u>1,000</u>	<u>100.00%</u>	

To expand its business, pursuant to a merger agreement dated 28 November 2009, Sichuan Saftower merged with Chengdu Xinhongxin and Chengdu Kaiyuan. Before the said mergers, Chengdu Xinhongxin was owned as to 60% by Mr. Dang Fei and 40% by Mr. Wang, while Chengdu Kaiyuan was owned as to 50% by Mr. Yu Dagui (于大貴) and as to 50% by Ms. Wang Daocun (汪道存), both of whom are Independent Third Parties. At the time of the mergers, Chengdu Xinhongxin owned a piece of land where our Chengdu Plant is now situated. The merger with Chengdu Xinhongxin was conducted for the purpose of acquiring such land and the properties situated on it. On the other hand, we underwent the merger with Chengdu Kaiyuan for the purpose of acquiring its capabilities to manufacture and process cables. After the said mergers, the registered capital of Sichuan Saftower was increased to RMB3 million. The additional registered capital was contributed as to RMB0.9 million by Mr. Dang Fei, RMB0.6 million by Mr. Wang, RMB0.25 million by Ms. Wang Daocun and RMB0.25 million by Mr. Yu Dagui. The basis of the merger valuation was the net asset value of Chengdu Xinhongxin and Chengdu Kaiyuan as at 30 November 2009 according to the valuation reports issued by Sichuan Changjiang Assets Evaluation Company Limited* (四川長江資產評估有限公司), an independent valuer. Chengdu Xinhongxin and Chengdu Kaiyuan were subsequently dissolved by deregistration in May 2010 after merging with Sichuan Saftower. Upon completion of the said mergers, Sichuan Saftower became owned by the following persons and their respective percentage of interest is as follows:

Name of shareholders	Capital contribution <i>RMB'000</i>	Percentage of equity interest	Date of first becoming shareholder
Mr. Dang Fei	1,350	45.00%	24 June 2004
Mr. Wang	1,000	33.34%	24 June 2004
Mr. Dang Jun	150	5.00%	24 April 2008
Mr. Yu Dagui	250	8.33%	21 May 2010
Ms. Wang Daocun	<u>250</u>	<u>8.33%</u>	21 May 2010
Total	<u>3,000</u>	<u>100.00%</u>	

HISTORY, DEVELOPMENT AND REORGANISATION

On 30 March 2013, Mr. Dang Jun entered into two equity transfer agreements with Mr. Yu Dagui and Ms. Wang Daocun, pursuant to which Mr. Yu Dagui transferred 8.33% and Ms. Wang Daocun transferred 6.66% equity interest of Sichuan Saftower to Mr. Dang Jun, respectively. On the same date, Mr. Dang Fei entered into two equity transfer agreements with Ms. Wang Daocun and Mr. Wang, respectively, pursuant to which Ms. Wang Daocun transferred 1.66% and Mr. Wang transferred 3.33% equity interest of Sichuan Saftower to Mr. Dang Fei, respectively. The considerations were all fully settled with reference to the then registered capital of Sichuan Saftower. Such transfers were approved by Chengdu Pixian AIC on 9 April 2013. Upon completion of the equity transfers, Sichuan Saftower became owned by the following persons and their respective percentage of interest is as follows:

Name of shareholders	Capital contribution <i>RMB'000</i>	Percentage of equity interest	Date of first becoming shareholder
Mr. Dang Fei	1,500	50.00%	24 June 2004
Mr. Wang	900	30.00%	24 June 2004
Mr. Dang Jun	600	20.00%	24 April 2008
Total	<u>3,000</u>	<u>100.00%</u>	

On 2 December 2013, the registered capital of Sichuan Saftower was increased from RMB3 million to RMB7.5 million. The additional registered capital was contributed as to RMB2.25 million by Mr. Dang Fei, RMB1.35 million by Mr. Wang and RMB0.9 million by Mr. Dang Jun and was fully paid up. Such increase was approved by Chengdu Pixian AIC on 16 December 2013. Upon completion of the capital increase, Sichuan Saftower remained owned as to 50% by Mr. Dang Fei, 30% by Mr. Wang and 20% by Mr. Dang Jun.

On 10 February 2015, Chengdu Gaopeng, which was established on 21 January 2015 for the purpose of introducing some of our business partners to invest in our Group, became one of the shareholders of Sichuan Saftower. On the same date, the registered capital of Sichuan Saftower was increased from RMB7.5 million to RMB26.4 million. The additional registered capital was contributed as to RMB5.952 million by Mr. Dang Fei, RMB4.284 million by Mr. Wang, RMB2.064 million by Mr. Dang Jun and RMB6.60 million by Chengdu Gaopeng and was fully paid up. Such increase was approved by Chengdu Pixian AIC on 15 February 2015. Upon completion of the capital increase, Sichuan Saftower became owned by the following persons and their respective percentage of interest is as follows:

Name of shareholders	Capital contribution <i>RMB'000</i>	Percentage of equity interest	Date of first becoming shareholder
Mr. Dang Fei	9,702	36.75%	24 June 2004
Mr. Wang	6,534	24.75%	24 June 2004
Mr. Dang Jun	3,564	13.50%	24 April 2008
Chengdu Gaopeng <i>(Note)</i>	6,600	25.00%	10 February 2015
Total	<u>26,400</u>	<u>100.00%</u>	

HISTORY, DEVELOPMENT AND REORGANISATION

Note: For details of the partners of Chengdu Gaopeng and their respective interest in Chengdu Gaopeng, please refer to Note (1) of the chart which sets forth our approximate shareholding and corporate structure immediately before the Reorganisation below.

On 27 March 2015, the registered capital of Sichuan Saftower was further increased from RMB26.4 million to RMB52.80 million. The additional registered capital was contributed as to RMB9.702 million by Mr. Dang Fei, RMB6.534 million by Mr. Wang, RMB3.564 million by Mr. Dang Jun and RMB6.60 million by Chengdu Gaopeng and was fully paid up. Such increase was approved by Chengdu AIC on 19 May 2015. Upon completion of the capital increase, Sichuan Saftower remained owned as to 36.75% by Mr. Dang Fei, 24.75% by Mr. Wang, 13.5% by Mr. Dang Jun and 25% by Chengdu Gaopeng.

In June 2015, Sichuan Saftower was converted from a limited liability company into a company limited by shares with a registered capital of RMB52.8 million divided into 52,800,000 shares of RMB1 each. From October 2015 to June 2018, Sichuan Saftower had been listed on the NEEQ.

While listed on the NEEQ, on 12 January 2017, Mr. Wang transferred 100,000 shares in Sichuan Saftower to Ms. He Meijuan (何梅娟), an Independent Third Party, through the online trading platform of the NEEQ, for a consideration of RMB0.515 million. On 7 June 2018, the shares of Sichuan Saftower ceased to be listed on the NEEQ. For details of the delisting, see “Prior Listing on the NEEQ and the Delisting” in this section. Immediately after Sichuan Saftower was delisted from NEEQ, Sichuan Saftower was owned by the following persons and their respective percentage of interest is as follows:

Name of shareholders	Percentage of shareholding	Date of first becoming shareholder
Mr. Dang Fei	36.75%	24 June 2004
Mr. Wang	24.56%	24 June 2004
Mr. Dang Jun	13.50%	24 April 2008
Chengdu Gaopeng	25.00%	10 February 2015
Ms. He Meijuan	0.19%	12 January 2017
Total	<u>100.00%</u>	

On 24 August 2018, Ms. He Meijuan entered into a share transfer agreement with Mr. Ma Da (馬達), an Independent Third Party. Pursuant to the share transfer agreement, Ms. He Meijuan transferred her entire shareholding in Sichuan Saftower to Mr. Ma Da at a consideration of RMB0.1 million. Upon completion of the share transfer, Sichuan Saftower was owned as to 36.75% by Mr. Dang Fei, 24.56% by Mr. Wang, 13.5% by Mr. Dang Jun, 25% by Chengdu Gaopeng and 0.19% by Mr. Ma Da.

Subsequently in October 2018, Sichuan Saftower was reconverted into a limited liability company with a registered capital of RMB52.8 million. On 16 October 2018, the registered capital of Sichuan Saftower was increased from RMB52.8 million to RMB60 million. The additional registered capital was contributed as to RMB2.646 million by Mr. Dang Fei, RMB0.972 million by Mr. Dang Jun, RMB1.7684 million by Mr. Wang, RMB1.8 million by Chengdu Gaopeng and RMB13,600 by Mr. Ma Da and was fully paid up. Such

HISTORY, DEVELOPMENT AND REORGANISATION

increase was approved by Chengdu Pidu District Administration for Market and Quality Regulation* (成都市郫都區市場和質量監督管理局) (“**Chengdu Pidu AMR**”) on 9 November 2018. Upon completion of the capital increase, Sichuan Saftower remained owned as to 36.75% by Mr. Dang Fei, 24.56% by Mr. Wang, 13.5% by Mr. Dang Jun, 25% by Chengdu Gaopeng and 0.19% by Mr. Ma Da.

On 9 November 2018, as part of the Reorganisation, pursuant to five equity transfer agreements, Guangyuan Saftower Technology acquired 36.75%, 13.5%, 24.56%, 25% and 0.19% of the equity interests of Sichuan Saftower from Mr. Dang Fei, Mr. Dang Jun, Mr. Wang, Chengdu Gaopeng and Mr. Ma Da, at the considerations of RMB22.05 million, RMB8.1 million, RMB14.7364 million, RMB15 million and RMB113,600, respectively, all of which were determined with reference to the then registered capital of Sichuan Saftower. Such transfers were properly and legally settled and were approved by Chengdu Pidu AMR on 5 December 2018. Upon completion of the equity transfers, Sichuan Saftower became wholly owned by Guangyuan Saftower Technology.

Guangyuan Saftower

Guangyuan Saftower was established in the PRC on 16 February 2015 as a limited liability company, with a registered capital of RMB25.20 million. It engages in the manufacturing, processing and sale of semi-finished wires and the trading of aluminium products.

At the time of the establishment of Guangyuan Saftower, Nengshi, an Independent Third Party and Sichuan Saftower contributed RMB23 million and RMB2.2 million to the registered capital of Guangyuan Saftower, respectively. The capital contribution of Nengshi was made by way of land use rights owned by it in Sichuan-Zhejiang Cooperative Industrial Park, Guangyuan Economic Development Zone, together with the properties situated thereon. Guangyuan Saftower was then owned as to 91.27% by Nengshi and 8.73% by Sichuan Saftower.

Subsequent to two equity transfers from Nengshi to Sichuan Saftower which took place in August 2015 and September 2015 at a total consideration of RMB42 million, Guangyuan Saftower became wholly owned by Sichuan Saftower. The consideration was determined based on the valuation of the land use rights together with the properties situated at Sichuan-Zhejiang Cooperative Industrial Park, Guangyuan Economic Development Zone as at 3 August 2015 conducted by Sichuan Chuanheng Real Estate Appraisal Company Limited* (四川川衡房地產估價有限公司), an independent valuer. Such transfers were properly and legally settled.

Sichuan Liangdian

Sichuan Liangdian, formerly known as Deyang Saftower Cable Technology Company Limited* (德陽蜀塔電纜科技有限公司), was established in the PRC on 19 March 2015 as a limited liability company, with a registered capital of RMB0.1 million. Since its establishment, Sichuan Liangdian has been wholly owned by Sichuan Saftower. Sichuan Liangdian is principally engaged in the sale of wires and cables.

HISTORY, DEVELOPMENT AND REORGANISATION

Lhasa Saftower

Lhasa Saftower, formerly known as Lhasa Saftower Cable Company Limited* (拉薩蜀塔電纜有限公司), was established in the PRC on 14 January 2013 as a limited liability company, with an initial registered capital of RMB0.1 million. At the time of the establishment, Lhasa Saftower was wholly owned by Sichuan Saftower.

On 27 March 2017, the registered capital of Lhasa Saftower was increased from RMB0.1 million to RMB10 million. The additional registered capital was contributed as to RMB5 million by Sichuan Saftower and RMB4.9 million by Ms. Yu Xiaoying (于曉英), who is a remote relative of Mr. Dang Fei, and shall be fully paid up on or before 9 January 2033. Such increase was approved by the Administration for Market and Regulation of Lhasa Economic and Technological Development Zone* (拉薩經濟技術開發區市場監督管理局) (“**Lhasa AMR**”) on 30 March 2017. Upon completion of the capital increase, Lhasa Saftower became owned as to 51% by Sichuan Saftower and 49% by Ms. Yu Xiaoying.

On 18 October 2018, Ms. Yu Xiaoying entered into an equity transfer agreement with Sichuan Saftower. Pursuant to the equity transfer agreement, Ms. Yu Xiaoying transferred her 49% equity interest in Lhasa Saftower to Sichuan Saftower. Since Ms. Yu Xiaoying did not pay up any capital of Lhasa Saftower, Sichuan Saftower did not need to pay Ms. Yu Xiaoying to take up the payable registered capital of RMB4.9 million. The payable registered capital however shall be fully settled by Sichuan Saftower on or before 9 January 2033. Such transfer was approved by Lhasa AMR on 29 October 2018. Upon completion of the equity transfer, Lhasa Saftower became wholly owned by Sichuan Saftower. Since its establishment and up to the Latest Practicable Date, Lhasa Saftower had no active business operation.

Guangyuan Shuneng

Guangyuan Shuneng was established in the PRC on 24 January 2018 as a limited liability company, with a registered capital of RMB8 million. At its establishment, it had been owned as to 60% by Guangyuan Saftower and 40% by Tongsheng Guochuang. The registered capital was contributed as to RMB4.8 million by Guangyuan Saftower which was fully paid up by 5 July 2019 and RMB3.2 million by Tongsheng Guochuang which has not been fully paid up. Guangyuan Shuneng commenced trial production of aluminium rod materials for Guangyuan Tongchuang in April 2019.

On 18 November 2019, upon the approval of Guangyuan AMR, Guangyuan Shuneng completed a 40% capital reduction of the registered capital payable by Tongsheng Guochuang of RMB3.2 million, from RMB8 million to RMB4.8 million. As a result, Tongsheng Guochuang ceased to be a shareholder of Guangyuan Shuneng. Guangyuan Shuneng became wholly owned by Guangyuan Saftower accordingly.

HISTORY, DEVELOPMENT AND REORGANISATION

Guangyuan Tongchuang

Guangyuan Tongchuang was established in the PRC on 14 July 2017 as a limited liability company, with a registered capital of RMB60 million. At the time of its establishment and before the acquisition described below, it was a joint venture owned as to 40% by Guangyuan Saftower, 16.67% by Mr. Li Zhanwei (李占威), an Independent Third Party, and 43.33% by Tongsheng Guochuang. Guangyuan Tongchuang is principally engaged in the manufacturing and sale of aluminium wires and cables, on OEM basis, for external customers and our Group.

Mr. Li Zhanwei was introduced to our Group when Guangyuan Saftower and Tongsheng Guochuan negotiated on the establishment of Guangyuan Tongchuang. When Guangyuan Tongchuang was established, Mr. Li Zhanwei was a controlling shareholder and director of Sichuan Jinyue New Material Company Limited* (四川金岳新型材料有限公司) (“**Sichuan Jinyue**”), which engaged in the production of aluminium rods. As Mr. Li Zhanwei was engaging in similar business with our Group, it was expected that he could bring synergy to our business. Our Directors confirmed that save as being a shareholder and director of Guangyuan Tongchuang at the material times, Mr. Li Zhanwei does not have any past or present relationship of any nature, including business, employment, family, trust, financing or otherwise with our Company, our subsidiaries/associates, our directors, shareholders, senior management or any of their respective associates.

At the material time when Guangyuan Tongchuang was established, Sichuan Jinyue had encountered financial difficulties. As such, Mr. Li Zhanwei needed to focus on attending to the business and financial problems of Sichuan Jinyue, and he did not pay much attention to the affairs of Guangyuan Tongchuang and he did not contribute to the capital of Guangyuan Tongchuang of RMB10 million on time. In addition, as he became short of funds, he did not subsequently contribute to the capital of Guangyuan Tongchuang. As his failure to contribute the capital constituted a breach of the articles of association of Guangyuan Tongchuang and the agreement among the shareholders of Guangyuan Tongchuang, upon negotiation he did not transfer the equity interests in Guangyuan Saftower to our Group at a premium. On 15 April 2019, we underwent the Tongchuang Equity Acquisition. Such acquisition was approved by Guangyuan AMR on 7 May 2019. Since Mr. Li Zhanwei did not pay up any capital of Guangyuan Tongchuang and it was recognised as an amount due from owner on Guangyuan Tongchuang’s financial statement before the acquisition, Guangyuan Saftower did not need to pay Mr. Li Zhanwei pursuant to the equity transfer agreement but had to pay up the unpaid capital of RMB10 million to Guangyuan Tongchuang. On 26 September 2019, the registered capital of Guangyuan Tongchuang was fully paid by Guangyuan Saftower. For further details, see “Guangyuan Tongchuang” in this prospectus. Upon completion of the equity transfer, Guangyuan Tongchuang became our non-wholly owned subsidiary and owned as to 56.67% by Guangyuan Saftower and 43.33% by Tongsheng Guochuang. For details, see “Guangyuan Tongchuang” in this prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

Guangyuan Saftower Technology

Guangyuan Saftower Technology was established in the PRC as a limited liability company on 14 September 2018, with an initial registered capital of RMB2 million. It engages in investment holding. At the time of the establishment of Guangyuan Saftower Technology, Mr. Dang Fei, Mr. Dang Jun, Mr. Wang and Chengdu Gaopeng contributed RMB0.735 million, RMB0.27 million, RMB0.495 million and RMB0.5 million to the registered capital of Guangyuan Saftower Technology, respectively. Guangyuan Saftower Technology therefore became owned as to 36.75% by Mr. Dang Fei, 13.5% by Mr. Dang Jun, 24.75% by Mr. Wang and 25% by Chengdu Gaopeng.

By two payments made on 17 December 2018 and 25 December 2018 respectively, Mr. Dang Fei contributed a total of RMB12 million towards Guangyuan Saftower Technology, out of which RMB0.4 million was used to increase its registered capital while the remaining RMB11.6 million was used to increase the capital reserve. The registered capital of Guangyuan Saftower Technology was thus increased to RMB2.4 million. Such capital increase was approved by Guangyuan AIC on 25 December 2018. Upon the completion of the capital increase, Guangyuan Saftower Technology became owned by the following persons and their respective percentage of interest is as follows:

Name of Shareholders	Capital contribution <i>RMB'000</i>	Percentage of equity interest
Mr. Dang Fei	1,135	47.29%
Mr. Dang Jun	270	11.25%
Mr. Wang	495	20.63%
Chengdu Gaopeng	500	20.83%
Total	2,400	100.00%

On 16 January 2019, as part of the Reorganisation and the Pre-IPO Investment, Mr. Wang entered into an equity transfer agreement and a supplemental equity transfer agreement with Wechi Int'l. Wechi Int'l was incorporated in Hong Kong with limited liability on 27 December 2018 and was indirectly owned as to 100% by Ms. Zhao Qi through Weichi Investment, a company incorporated in the BVI with limited liability on 15 November 2018. Pursuant to the equity transfer agreement and the supplemental equity transfer agreement, Mr. Wang transferred 4% of his equity interest in Guangyuan Saftower Technology to Wechi Int'l at a consideration of RMB2.88 million, which was determined with reference to the valuation of Sichuan Saftower as of 30 June 2018 conducted by an independent valuer and the capital injection of RMB12 million in Guangyuan Saftower Technology by Mr. Dang Fei in December 2018. Such transfer was properly and legally completed and was approved by Guangyuan AIC on 30 January 2019 and filed with Guangyuan Bureau of Commerce* (廣元市商務局) on 2 February 2019. Upon completion

HISTORY, DEVELOPMENT AND REORGANISATION

of the equity transfer, Guangyuan Saftower Technology became a Sino-foreign equity joint venture, being owned as to 47.29% by Mr. Dang Fei, 11.25% by Mr. Dang Jun, 16.63% by Mr. Wang, 20.83% by Chengdu Gaopeng and 4% by Wechi Int'l. Their respective contributions to the registered capital of Guangyuan Saftower Technology are as follows:

Name of shareholders	Capital contribution <i>RMB'000</i>	Percentage of equity interest
Mr. Dang Fei	1,135	47.29%
Mr. Dang Jun	270	11.25%
Mr. Wang	399	16.63%
Chengdu Gaopeng	500	20.83%
Wechi Int'l	96	4.00%
Total	2,400	100.00%

On 29 May 2019, as part of the Reorganisation, pursuant to four equity transfer agreements, Saftower Management acquired 47.29%, 11.25%, 16.63% and 20.83% of the equity interests of Guangyuan Saftower Technology from Mr. Dang Fei, Mr. Dang Jun, Mr. Wang and Chengdu Gaopeng, at the considerations of RMB1.135 million, RMB0.27 million, RMB0.399 million and RMB0.5 million, respectively. The considerations were determined with reference to the then registered capital of Guangyuan Saftower Technology. Such transfers were properly and legally completed and settled and were approved by Guangyuan AMR on 6 June 2019. Upon completion of the equity transfers, Guangyuan Saftower Technology became owned as to 96% by Saftower Management and 4% by Wechi Int'l.

PRIOR LISTING ON THE NEEQ AND THE DELISTING

Aligning with Sichuan Saftower's business growth and in order to enhance its corporate profile, Sichuan Saftower applied for listing on the NEEQ in 2015. In October 2015, 52,800,000 shares in Sichuan Saftower, being its entire issued share capital at that time, became listed on the NEEQ (stock code: 833940). On 14 May 2018, all the shareholders of Sichuan Saftower resolved to voluntarily delist Sichuan Saftower's shares from the NEEQ (the "**NEEQ Delisting**") at a general meeting. For reasons of the NEEQ Delisting, see "Reasons for the NEEQ Delisting" in this section. On 5 June 2018, National Equities Exchange and Quotations Company Limited* (the "**NEEQ Company**") (全國中小企業股份轉讓系統有限責任公司) approved the NEEQ Delisting. On 7 June 2018, the shares of Sichuan Saftower ceased to be listed on the NEEQ with a market capitalisation of RMB271.92 million, based on last transfer price when Mr. Wang transferred 100,000 shares in Sichuan Saftower to Ms. He Meijuan on 12 January 2017, being RMB5.15 per share.

REASONS FOR THE NEEQ DELISTING

The NEEQ is a market in the PRC open to qualified investors only, including (a) PRC corporate or partnership enterprise investors with paid-up capital of more than RMB5 million; (b) PRC natural persons with average daily financial assets within the latest 10 trading days over RMB5 million and have experience in securities, funds, futures investments for more than two years or have more than two years of relevant working experience; and (c) qualified PRC and foreign institutional investors, such as securities companies, asset management companies, banks and insurers. In addition, the NEEQ adopts a market maker, negotiated transfer or investor competing transfer trading mechanism rather than continuous auction mechanism, which significantly limits investor discovery and order execution. The nature of the NEEQ and its low trading volume could make it difficult to (a) identify and establish the fair value of Sichuan Saftower to reflect its competitive strengths which differentiate it from its competitors; (b) publicly raise funds, in equity or debt, to continuously support our business growth; and (c) execute substantial on-market disposals by our Shareholders to realise value.

Our Directors confirmed that, to the best of their knowledge and belief, save as the two incidents of non-compliance with the Rules for Information Disclosures by Companies Admitted to the NEEQ, as disclosed in “Non-compliance incidents with the Rules for Information Disclosures by Companies Admitted to the NEEQ (《全國中小企業股份轉讓系統掛牌公司信息披露細則》)” in this section, Sichuan Saftower and all its directors had been in compliance in all material aspects with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ, and had not been subject to any material investigation or disciplinary action by the relevant regulators, during the period when its shares were listed on the NEEQ and up to the NEEQ Delisting. As advised by our PRC Legal Advisers, the NEEQ Delisting was not attributable to the failure of Sichuan Saftower in meeting any of the NEEQ listing requirements. Based on the foregoing, our Directors confirm there is no matter that might materially and adversely affect the Listing in relation to Sichuan Saftower’s previous listing on the NEEQ as mentioned above and there has not been any matter that needs to be brought to the attention of the potential investors. Furthermore, based on the results of the independent due diligence performed by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that would entail the Sole Sponsor to disagree with the views of our Directors on the reasonableness of the confirmation made by our Directors above.

For reasons for seeking the Listing on the Stock Exchange, see “Future Plans and Use of Proceeds — Reasons for Listing” in this prospectus for details.

NON-COMPLIANCE INCIDENTS WITH THE RULES FOR INFORMATION DISCLOSURES BY COMPANIES ADMITTED TO THE NEEQ 《全國中小企業股份轉讓系統掛牌公司信息披露細則》

During the listing of Sichuan Saftower on the NEEQ, we had the following non-compliance incidents:

Non-compliance incident	Reason(s) of non-compliance	Legal consequences and maximum potential penalty	Current status and remedies
<p>1. Sichuan Saftower had been listed on the NEEQ from October 2015 to June 2018, and during such period it did not disclose its annual report for 2017 within the regulatory time limit (i.e. before 27 April 2018).</p> <p>Prior to the deadline to disclose its annual report for 2017, on 26 April 2018, Sichuan Saftower published an announcement on the NEEQ system, which stated that Sichuan Saftower was expected to make the required disclosure on or before 30 June 2018.</p> <p>Furthermore, prior to the extended timeline for disclosure of annual report for 2017, the shares of Sichuan Saftower ceased to be listed on the NEEQ on 7 June 2018. As a result, Sichuan Saftower did not disclose its annual report for 2017.</p>	<p>Primarily due to (i) the delayed audit work of the then auditor which did not issue the audit report on time due to shortage of manpower and failed to communicate with Sichuan Saftower to extend the deadline; and (ii) during the material time, our Group was focusing on our plan to delist from the NEEQ, in contemplation of the proposed Listing on the Stock Exchange. As a result, our Group did not communicate with the then auditor clearly to enable them to timely complete their audit work, and thus failed to publish the 2017 annual report by the regulatory deadline of 27 April 2018.</p>	<p>On 10 May 2018, the NEEQ Company issued to Sichuan Saftower a decision on taking self-regulatory measures against NEEQ-admitted companies and persons responsible for disclosure of information for failing to disclose the annual report for 2017 within the specified time limit (Gu Zhuan Xi Tong Fa [2018] No. 892) (《關於對未按期披露2017年年度報告的掛牌公司及相關信息披露責任人採取自律監管措施的決定》)(股轉系統發[2018] 892號) (the “Decision”), requesting Sichuan Saftower, Mr. Dang Fei and Mr. Wang and/or responsible personnel to take self-regulatory measures to rectify the failure. Sichuan Saftower has not been subject to any administrative penalty imposed by the NEEQ and/or other regulatory bodies in this regard. In the Decision, the NEEQ also expressed its view that Mr. Dang Fei and Mr. Wang, being the then chairman and the then secretary of the board of Sichuan Saftower, respectively, failed to carry out their duties faithfully and diligently, thereby contravening Article 1.5 of the Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation) (《全國中小企業股份轉讓系統業務規則(試行)》), which provides, among other things, that the NEEQ-admitted company and its persons responsible for disclosure of information shall disclose information in a true, accurate, complete and timely manner without false records, misleading statements or material omission.</p>	<p>On 7 June 2018, the shares of Sichuan Saftower ceased to be listed on the NEEQ and therefore Sichuan Saftower never issued its annual report of 2017 on the NEEQ. Since the NEEQ Delisting took place before 30 June 2018, the NEEQ Company has confirmed that it no longer has regulatory power over Sichuan Saftower.</p> <p>Our Directors confirmed that subsequent to the NEEQ Delisting, Sichuan Saftower did not hear further from the NEEQ Company or any regulatory bodies.</p> <p>Our Group had formulated internal control policies in connection with this non-compliance incident.</p>
<p>As advised by our PRC Legal Advisers, the above-mentioned Decision and rectification measures were not administrative penalties but a standard statement issued by the NEEQ Company to companies which failed to publish its annual report on time. There is no risk that legal actions will be taken by the NEEQ Company against Sichuan Saftower or its directors after the delisting of Sichuan Saftower on the NEEQ.</p>			

HISTORY, DEVELOPMENT AND REORGANISATION

Non-compliance incident	Reason(s) of non-compliance	Legal consequences and maximum potential penalty	Current status and remedies
<p>2. During FY2017 (since May 2017) and FY2018 (between January to February 2018), Guangyuan Saftower sold semi-finished wires to Chongqing Dexindi. The revenue generated from Chongqing Dexindi to our Group amounted to RMB21.1 million, RMB3.2 million and nil for FY2017, FY2018 and FY2019, representing 8.1%, 0.6% and nil of our total revenue, respectively. See also “Business — Customers — Our five largest customers” for details.</p>	<p>Primarily due to (i) at the time when the half-year report of Sichuan Saftower was prepared, Ms. Yu Xuelin and Mr. Dang Jun (mother and elder brother of Mr. Dang Fei, respectively) had not made any capital injection to Chongqing Dexindi, they did not take part in the management of Chongqing Dexindi and they had no position in and did not receive any salary from Chongqing Dexindi, leading them to mistakenly believe that the transactions did not constitute related party transactions which have to be disclosed; and (ii) after being reminded by its then legal adviser on the responsibility in early 2018, its directors proposed to rectify the disclosure in the 2017 annual general meeting of Sichuan Saftower. However, given that the then auditor of Sichuan Saftower delayed the issue of the 2017 annual report as discussed above, while Sichuan Saftower was delisted from the NEEQ in June 2018, the related party transactions could not be disclosed accordingly afterwards.</p>	<p>Article 34(1) of the “NEEQ Disclosure Rules (Trial)” (《全國中小企業股份轉讓系統掛牌公司信息披露細則(試行)》) (promulgated in February 2013) and Article 37(1) of the “Rules for Information Disclosures by Companies Admitted to the National Equities and Exchange Quotations” (《全國中小企業股份轉讓系統掛牌公司信息披露細則》) (issued in December 2017) provide that a company listed on the NEEQ should, before publishing the annual report of the previous year, make a reasonable estimation of the amount of related party transactions which are expected to take place in the upcoming year, and submit the same to its annual general meeting for review and make the relevant disclosure. For related party transactions which are within the estimation, the company should classify them and disclose the same in a table in the annual report or the half-year report, and disclose if the transactions are fair and reasonable.</p>	<p>On 7 June 2018, the shares of Sichuan Saftower ceased to be listed on the NEEQ and therefore Sichuan Saftower cannot make any further announcement.</p> <p>Our reporting accountants confirmed that they had performed procedures in respect of the related party transactions of our Group in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the HKICPA and such related party transactions had been disclosed in Note 35 to Appendix I to the Prospectus.</p>
<p>As advised by our PRC Legal Advisers, according to the rules of the NEEQ, Chongqing Dexindi is a related party of Sichuan Saftower and the transactions between our Group and Chongqing Dexindi constituted related party transactions and Sichuan Saftower failed to make an estimation of the transactions for 2017 in its 2016 annual report, and failed to disclose the same in the half-year report for 2017 and in an announcement in accordance with the NEEQ disclosure rules.</p>	<p>Article 60 of the Measures for the Supervision and Administration of Unlisted Public Companies (《非上市公司監督管理辦法》) (revised in December 2013) provides that companies and other information disclosure obligors who fail to disclose information in accordance with the provisions, or that the information disclosed has false records, misleading statements or major omissions, penalties shall be imposed in accordance with the provisions of Article 193 of the Securities Law of the PRC.</p>	<p>Article 60 of the Measures for the Supervision and Administration of Unlisted Public Companies (《非上市公司監督管理辦法》) (revised in December 2013) provides that companies and other information disclosure obligors who fail to disclose information in accordance with the provisions, or that the information disclosed has false records, misleading statements or major omissions, penalties shall be imposed in accordance with the provisions of Article 193 of the Securities Law of the PRC.</p>	<p>Our Group had formulated internal control policies in connection with this non-compliance incident, including but not limited to the policies or procedures to (i) identify all related parties; (ii) report any potential related party transaction to the Board; and (iii) obtain approval from the Board for certain related party transactions. In preparation for the Listing and to further enhance our internal control system, we have engaged an independent internal control consultant to perform a review of our Group’s internal control system, including the internal control policies in relation to the related parties transactions of our Group. According to the review results, our Directors believe, and the Sole Sponsor concurs that, the internal control measures in place are sufficient to identify such related parties transactions and could effectively ensure a proper internal control system of our Group to prevent the recurrence of such non-compliance incident.</p>

HISTORY, DEVELOPMENT AND REORGANISATION

Having considered the nature and reasons for the aforesaid incidents of non-compliance, our Directors are of the view that the two incidents of non-compliance did not involve any dishonesty on the part of our Directors and do not reflect a material defect in the character, integrity or competence of our Directors, and therefore does not affect our Directors' suitability to act as directors of a listed issuer as required under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability for Listing of our Company under Rule 11.06 of the GEM Listing Rules.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the Listing, which involved the following steps:

Incorporation of offshore holding companies (Red Fly, Xseven Investment, Bonyer Investment, Rocky Base Investment, Bigroad Investment, Hisky Investment, Dibell Investment, Gun Wealth Investment, ZH Fortune Investment and Lockxy Investment)

On 21 September 2018, Red Fly was incorporated in BVI with limited liability and it became owned as to 80.79% by Mr. Dang Fei and 19.21% by Mr. Dang Jun, respectively.

On 21 September 2018, Xseven Investment was incorporated in BVI with limited liability and it became wholly owned by Mr. Wang.

At the material times, Mr. Tan Bangyao, Mr. Luo Chuji, Mr. Deng Daosong, Mr. Li Guojiang, Ms. Peng Zeling, Mr. Tang Xiaojian, Ms. Yi Caixia, Ms. Ding Zhaoqun, Ms. Hu Min, Ms. Guo Rong, Ms. Zhang Ping, Ms. Zhang Hairong, Ms. Luo Xi, Mr. Fu Chuanrong and Mr. Wang Zhengwen were limited partners of Chengdu Gaopeng. For details of their respective interest in Chengdu Gaopeng, please refer to Note (1) of the chart which sets forth our approximate shareholding and corporate structure immediately before the Reorganisation below. As part of the Reorganisation, a number of investment holding companies were incorporated by them to be their investment vehicles, including: Bonyer Investment, Rocky Base Investment, Bigroad Investment, Hisky Investment, Dibell Investment, Gun Wealth Investment, ZH Fortune Investment and Lockxy Investment.

On 21 January 2019, Bonyer Investment was incorporated in BVI with limited liability and it became wholly owned by Mr. Tan Bangyao.

On 21 January 2019, Rocky Base Investment was incorporated in BVI with limited liability and it became wholly owned by Mr. Luo Chuji.

On 21 January 2019, Bigroad Investment was incorporated in BVI with limited liability and it became wholly owned by Mr. Deng Daosong.

On 22 January 2019, Hisky Investment was incorporated in BVI with limited liability and it became owned as to 56.82%, 20.46%, 11.36% and 11.36% by Mr. Li Guojiang, Ms. Peng Zeling, Mr. Tang Xiaojian and Ms. Yi Caixia, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

On 21 January 2019, Dibell Investment was incorporated in BVI with limited liability and it became owned as to 90.91% by Ms. Ding Zhaoqun and 9.09% by Ms. Hu Min.

On 22 January 2019, Gun Wealth Investment was incorporated in BVI with limited liability and it became wholly owned by Ms. Guo Rong.

On 21 January 2019, ZH Fortune Investment was incorporated in BVI with limited liability and it became owned as to 66.67% by Ms. Zhang Ping and 33.33% by Ms. Zhang Hairong.

On 21 January 2019, Lockxy Investment was incorporated in BVI with limited liability and it became owned as to 68% by Ms. Luo Xi, 20% by Mr. Fu Chuanrong and 12% by Mr. Wang Zhengwen.

Incorporation of our Company and redenomination of the authorised and issued share capital of our Company from US\$1 to HK\$0.01

On 9 October 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it had an authorised share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1 each.

On the date of its incorporation, our Company allotted and issued one subscriber share of US\$1 each (the “**USD-denominated Share**”) as fully paid to a nominee subscriber. On the same date, the nominee subscriber as transferor executed a share transfer form in favour of Red Fly as transferee, pursuant to which the nominee subscriber transferred the USD-denominated Share, representing the entire issued share capital of our Company, to Red Fly for a consideration of US\$1. Such transaction was properly and legally completed and settled.

On 8 January 2019, the authorised share capital of our Company was increased by HK\$380,000 by the creation of 38,000,000 new Shares of a par value of HK\$0.01 each. Our Company allotted and issued 780 such new Shares as fully paid to Red Fly. At the same time, our 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, our Company cancelled the 50,000 authorised but unissued shares of a par value of US\$1 each in the capital of our Company.

Our Company then remained wholly owned by Red Fly immediately after the redenomination of its authorised and issued share capital.

Incorporation of Bida Investment, Weichi Investment, Saftower International and Wechi Int'l

On 5 November 2018, Bida Investment was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1 each. On the date of its incorporation, Bida Investment allotted and issued one share with a par value of US\$1 as fully paid to our Company. Bida Investment then became wholly owned by our Company.

On 15 November 2018, Weichi Investment was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US\$1 each. On the date of its incorporation, Weichi Investment allotted and issued one share with a par value of US\$1 as fully paid to Ms. Zhao Qi. Weichi Investment then became wholly owned by Ms. Zhao Qi.

On 5 December 2018, Saftower International was incorporated in Hong Kong with limited liability. On the date of its incorporation, Saftower International allotted and issued one founder's share credited as fully paid to Bida Investment. Saftower International then became wholly owned by Bida Investment.

On 27 December 2018, Wechi Int'l was incorporated in Hong Kong with limited liability. On the date of its incorporation, Wechi Int'l allotted and issued one founder member's share as fully paid to Weichi Investment. Wechi Int'l then became wholly owned by Weichi Investment.

Establishment of Guangyuan Saftower Technology

On 14 September 2018, Guangyuan Saftower Technology was established in the PRC as a limited liability company, with an initial registered capital of RMB2 million. It engages in investment holding. At the time of the establishment of Guangyuan Saftower Technology, Mr. Dang Fei, Mr. Wang, Mr. Dang Jun and Chengdu Gaopeng contributed RMB0.735 million, RMB0.495 million, RMB0.27 million and RMB0.5 million to the registered capital of Guangyuan Saftower Technology, respectively. Guangyuan Saftower Technology therefore became owned as to 36.75% by Mr. Dang Fei, 13.5% by Mr. Dang Jun, 24.75% by Mr. Wang, and 25% by Chengdu Gaopeng.

Acquisition of entire equity interest of Sichuan Saftower by Guangyuan Saftower Technology from Mr. Dang Fei, Mr. Dang Jun, Mr. Wang, Chengdu Gaopeng and Mr. Ma Da

On 9 November 2018, pursuant to five equity transfer agreements, Guangyuan Saftower Technology acquired 36.75%, 13.5%, 24.56%, 25% and 0.19% of the equity interests of Sichuan Saftower from Mr. Dang Fei, Mr. Dang Jun, Mr. Wang, Chengdu Gaopeng and Mr. Ma Da, at the considerations of RMB22.05 million, RMB8.1 million, RMB14.7364 million, RMB15 million and RMB113,600, respectively. The respective consideration was determined with reference to the then registered capital of Sichuan Saftower. Such transfers were properly and legally completed and settled and

HISTORY, DEVELOPMENT AND REORGANISATION

were approved by Chengdu Pidun AMR on 5 December 2018. Upon completion of the above transfers, Sichuan Saftower became wholly owned by Guangyuan Saftower Technology.

Increase of registered capital of Guangyuan Saftower Technology which was contributed by Mr. Dang Fei

On 18 December 2018, the registered capital of Guangyuan Saftower Technology was increased from RMB2 million to RMB2.4 million. The additional registered capital was contributed by Mr. Dang Fei by cash. Such increase was approved by Guangyuan AIC on 25 December 2018. Upon the completion of the capital increase, Guangyuan Saftower Technology became owned as to 47.29% by Mr. Dang Fei, 11.25% by Mr. Dang Jun, 20.63% by Mr. Wang and 20.83% by Chengdu Gaopeng, respectively.

Transfer of 4% of equity interest of Guangyuan Saftower Technology from Mr. Wang to Wechi Int'l

On 16 January 2019, as part of the Reorganisation and the Pre-IPO Investment, Mr. Wang as transferor and Wechi Int'l as transferee entered into an equity transfer agreement. At the material times, Wechi Int'l was indirectly and wholly owned by Ms. Zhao Qi, our Pre-IPO Investor and an Independent Third Party. On the same date, Mr. Wang entered into a supplemental equity transfer agreement with Wechi Int'l. Pursuant to the equity transfer agreement and the supplemental equity transfer agreement, Mr. Wang transferred 4% of his equity interest in Guangyuan Saftower Technology to Wechi Int'l at a consideration of RMB2.88 million. The consideration was determined with reference to the valuation of Sichuan Saftower as of 30 June 2018 conducted by an independent valuer and the capital injection of RMB12 million in Guangyuan Saftower Technology by Mr. Dang Fei in December 2018. Such transfer was properly and legally completed and was approved by Guangyuan AIC on 30 January 2019, and filed with Guangyuan Bureau of Commerce* (廣元市商務局) on 2 February 2019. Upon completion of the equity transfer, Guangyuan Saftower Technology became a Sino-foreign equity joint venture, being owned as to 47.29% by Mr. Dang Fei, 11.25% by Mr. Dang Jun, 16.63% by Mr. Wang, 20.83% by Chengdu Gaopeng and 4% by Wechi Int'l, respectively.

Transfer of 16.67% equity interest of Guangyuan Tongchuang from Mr. Li Zhanwei to Guangyuan Saftower

On 15 April 2019, Mr. Li Zhanwei and Guangyuan Saftower entered into an equity transfer agreement, pursuant to which Mr. Li Zhanwei transferred 16.67% equity interest of Guangyuan Tongchuang to Guangyuan Saftower. Since Mr. Li Zhanwei did not pay up any capital of Guangyuan Tongchuang and his unpaid up capital was recognised as an amount due from owner on Guangyuan Tongchuang's financial statement before the Tongchuang Equity Acquisition, Guangyuan Saftower did not need to pay Mr. Li Zhanwei pursuant to the equity transfer agreement but had to pay up the unpaid capital of RMB10.0 million to Guangyuan Tongchuang. On 26 September 2019, the registered capital of Guangyuan Tongchuang was fully paid by

HISTORY, DEVELOPMENT AND REORGANISATION

Guangyuan Saftower. Such transfer was approved by Guangyuan AMR on 7 May 2019. Upon completion of the equity transfer, Guangyuan Tongchuang became our non-wholly owned subsidiary and owned as to 56.67% by Guangyuan Saftower and 43.33% by Tongsheng Guochuang.

Establishment of Saftower Management

On 14 May 2019, Saftower Management was established in the PRC as a limited liability company, with a registered capital of RMB0.1 million. It engages in investment holding. Since its establishment, the entire equity interest of Saftower Management has been wholly owned by Saftower International.

Acquisition of the entire issued share capital of Weichi Investment by Bida Investment

On 20 May 2019, pursuant to a share swap agreement, Bida Investment acquired the entire issued share capital of Weichi Investment from Ms. Zhao Qi in consideration of and in exchange for the allotment and issue of 400 Shares to Ms. Zhao Qi credited as fully paid. Upon completion of such acquisition, Weichi Investment then became wholly owned by Bida Investment.

Allotment and issue of Shares to Red Fly, Xseven Investment, Bonyer Investment, Rocky Base Investment, Bigroad Investment, Hisky Investment, Dibell Investment, Gun Wealth Investment, ZH Fortune Investment and Lockxy Investment

On 20 May 2019, our Company further allotted and issued 5,075 Shares to Red Fly, 1,663 Shares to Xseven Investment, 158 Shares to Bonyer Investment, 158 Shares to Rocky Base Investment, 316 Shares to Bigroad Investment, 278 Shares to Hisky Investment, 139 Shares to Dibell Investment, 402 Shares to Gun Wealth Investment, 473 Shares to ZH Fortune Investment and 158 Shares to Lockxy Investment at par, all credited as fully paid.

Our Company then became owned as to 58.55% by Red Fly, 16.63% by Xseven Investment, 1.58% by Bonyer Investment, 1.58% by Rocky Base Investment, 3.16% by Bigroad Investment, 2.78% by Hisky Investment, 1.39% by Dibell Investment, 4.02% by Gun Wealth Investment, 4.73% by ZH Fortune Investment, 1.58% by Lockxy Investment and 4% by Zhao Qi.

Acquisition of 96% equity interest of Guangyuan Saftower Technology by Saftower Management

On 29 May 2019, pursuant to four equity transfer agreements, Saftower Management acquired 47.29%, 11.25%, 16.63% and 20.83% of the equity interests of Guangyuan Saftower Technology from Mr. Dang Fei, Mr. Dang Jun, Mr. Wang and Chengdu Gaopeng, at the considerations of RMB1.135 million, RMB0.27 million, RMB0.399 million and RMB0.5 million, respectively. The considerations were determined with reference to the then registered capital of Guangyuan Saftower Technology. Such transfers were properly and legally completed and settled and were approved by Guangyuan AMR on 6 June 2019.

HISTORY, DEVELOPMENT AND REORGANISATION

Upon completion of the equity transfers, Guangyuan Saftower Technology became owned as to 96% by Saftower Management and 4% by Wechi Int'l.

ACTING IN CONCERT UNDERTAKING

Pursuant to the Acting in Concert Undertaking, among other things, Mr. Dang Fei and Mr. Dang Jun agreed that when making any major decision which has or is likely to have a material impact on the operation of our Group, they would first convene a meeting therefor and reach a consensus on the proposed matter. In the event that Mr. Dang Fei and Mr. Dang Jun are unable to reach a consensus on those major decisions, the decision shall be made by a simple majority with reference to the percentage of shareholding held by Mr. Dang Fei and Mr. Dang Jun in Red Fly. They will continue to act in accordance with the terms of the Acting in Concert Undertaking until the earlier of (i) the confirmation being terminated by the parties in writing; or (ii) Mr. Dang Fei or Mr. Dang Jun ceasing to be the ultimate beneficial owner of our Company.

By virtue of the Acting in Concert Undertaking, Mr. Dang Fei and Mr. Dang Jun will together be entitled to exercise and control 43.91% of the issued share capital of our Company upon the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options to be granted under the Share Option Scheme).

PRE-IPO INVESTMENT

Details of the Pre-IPO investment is set out in the table below.

Name of the Pre-IPO Investor	Ms. Zhao Qi
Date of the relevant equity transfer agreement and the supplemental equity transfer agreement	16 January 2019
Amount of consideration paid	RMB2.88 million
Settlement date of the consideration	12 September 2019
Vendor of equity interest	Mr. Wang
Basis of determination of the consideration	The consideration was determined with reference to the valuation of Sichuan Saftower as of 30 June 2018 conducted by an independent valuer and the capital injection of RMB12 million in Guangyuan Saftower Technology by Mr. Dang Fei in December 2018
Number of Shares held after the Capitalisation Issue	24,000,000

HISTORY, DEVELOPMENT AND REORGANISATION

Effective cost per Share paid (taking into account the Capitalisation Issue)	Approximately RMB0.12 (which is equivalent to approximately HK\$0.14)
Discount to the Offer Price (based on the Offer Price of HK\$0.325 per Offer Share, being the mid-point of the Offer Price range)	Approximately 56.9%
Use of proceeds	Mr. Wang's personal use
Benefits brought to our Group	Our Directors believe that the Pre-IPO Investment can diversify the shareholders' portfolio of our Company
Shareholding in our Company immediately after the completion of Reorganisation and the Pre-IPO Investment but before the Capitalisation Issue and the Share Offer	4%
Shareholding in our Company immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme)	3%
Lock-up period	Out of the 24,000,000 Shares to be held by the Pre-IPO Investor immediately after the completion of the Capitalisation Issue and the Share Offer, 16,000,000 Shares will be subject to lock-up restriction for a six-month period commencing from the Listing Date to 10 January 2021

HISTORY, DEVELOPMENT AND REORGANISATION

Public float

The Shares held by Ms. Zhao Qi are considered as part of the public float for the purpose of Rule 11.23 of the GEM Listing Rules as (i) Ms. Zhao Qi is not a director, chief executive or Substantial Shareholder of our Company or its subsidiaries or a close associate of any of them (the “**Non-Public Shareholders**”); (ii) the acquisition of the Shares by Ms. Zhao Qi was not financed by the Non-Public Shareholders; and (iii) Ms. Zhao Qi is not accustomed to taking instructions from a Non-Public Shareholder for the voting or dispositions in respect of the Shares held by Ms. Zhao Qi

Special rights

Nil

Background of the Pre-IPO Investor

Ms. Zhao Qi is an acquaintance of Mr. Wang. To the best of our Directors’ knowledge, information and belief and having made all reasonable enquiries, Ms. Zhao Qi invested in our Group because she appreciates the prospect and potential growth of our Group. Save for her investment in our Company and her past directorships in Weichi Investment and Wechi Int’l, Ms. Zhao Qi did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and is an Independent Third Party as at the Latest Practicable Date.

Sole Sponsor’s confirmation

The Sole Sponsor has confirmed that the investment by the Pre-IPO Investor is in compliance with (i) the Guidance Letter HKEX-GL29-12 (Interim Guidance on Pre-IPO Investments) issued in January 2012 and updated in March 2017 by the Stock Exchange as the consideration for the Pre-IPO Investment was all settled more than 28 clear days before the date of the first submission of the listing application to the Stock Exchange in relation to the Listing; and (ii) the Guidance Letter HKEX-GL-43-12 (Guidance on Pre-IPO investments) issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange as there are no special rights granted to the Pre-IPO Investor that will survive the Listing.

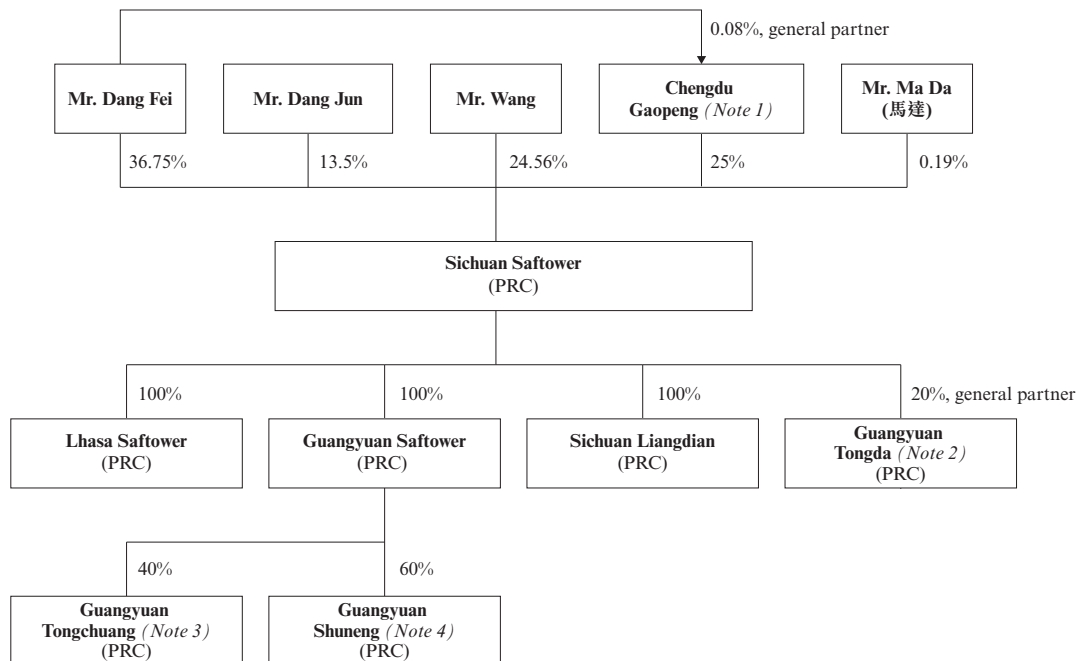
COMPANIES EXCLUDED FROM OUR GROUP DURING THE REORGANISATION

Prior to the Reorganisation, Sichuan Saftower held 20% interest (also as the general partner) in a limited partnership, namely, Guangyuan Tongda Commercial Centre (Limited Partnership)* (廣元同達商貿中心(有限合夥)) (“**Guangyuan Tongda**”) established in the PRC on 28 June 2018, which had no active business operation since its establishment and was dissolved on 26 November 2018.

HISTORY, DEVELOPMENT AND REORGANISATION

Our Directors confirmed that, during the Track Record Period and up to the date of deregistration of Guangyuan Tongda, Guangyuan Tongda had no material non-compliance issues or had not been involved in any material claims or legal proceedings against them. Our Directors further confirmed that, if the financial results of Guangyuan Tongda up to the date of deregistration were included in our Group, our Company would be able to meet the operating cash-flow requirement under Rule 11.12A(1) of the GEM Listing Rules.

The following chart sets forth our approximate shareholding and corporate structure immediately before the commencement of the Reorganisation:

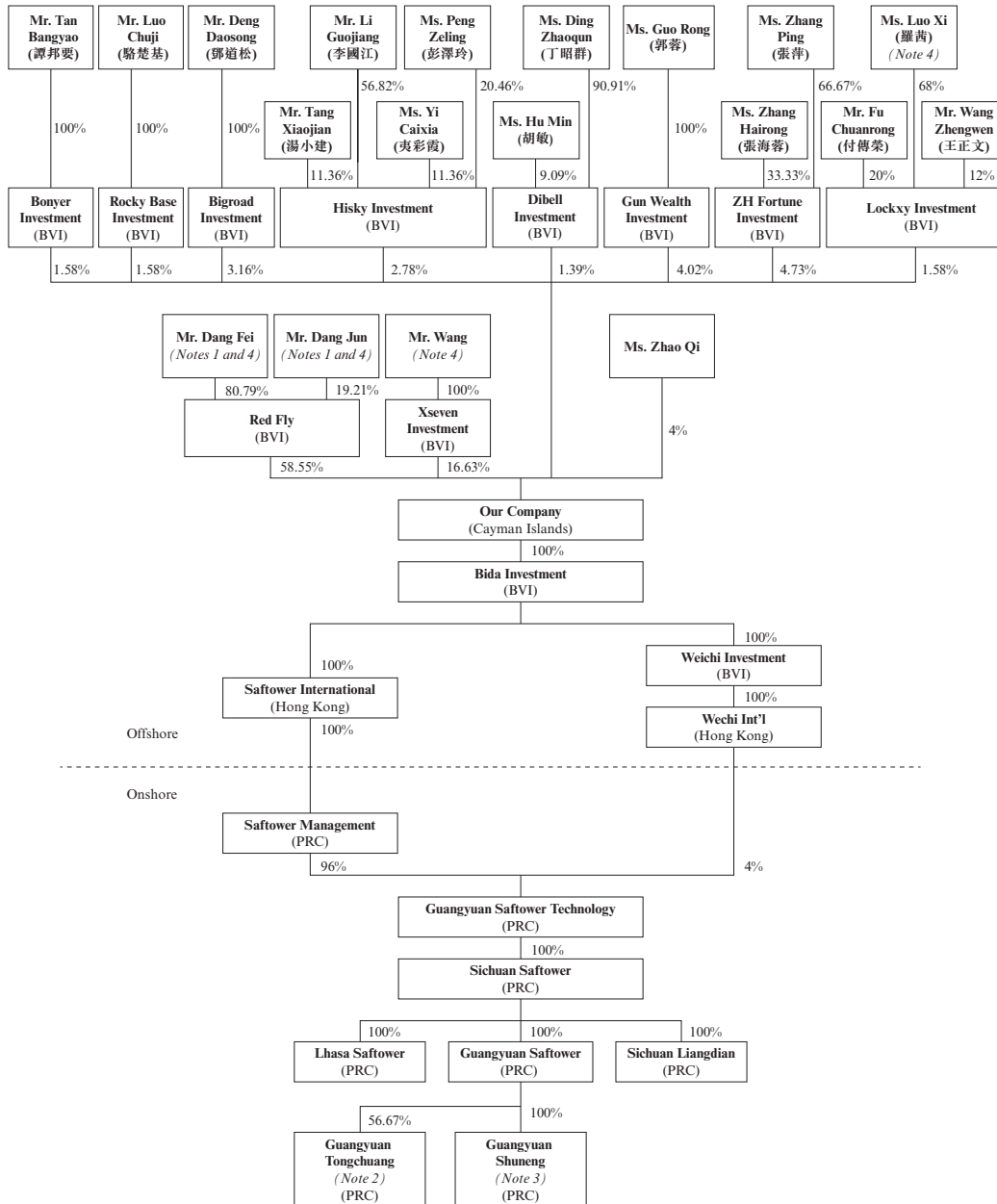


Notes:

- (1) Chengdu Gaopeng engaged in management consulting* (企業管理諮詢), with Mr. Dang Fei as the general partner holding 0.08% partnership interest. Its limited partners included Mr. Deng Daosong (鄧道松) (15.15%), Ms. Guo Rong (郭蓉) (19.32%), Ms. Zhang Ping (張萍) (15.15%), Ms. Zhang Hairong (張海蓉) (7.58%), Mr. Li Guojiang (李國江) (7.58%), Ms. Peng Zeling (彭澤玲) (2.73%), Mr. Tang Xiaojian (湯小建) (1.51%), Ms. Hu Min (胡敏) (0.61%), Ms. Luo Xi (羅茜) (5.15%), Mr. Fu Chuanrong (付傳榮) (1.51%), Mr. Wang Zhengwen (王正文) (0.91%), Ms. Yi Caixia (夷彩霞) (1.51%), Ms. Ding Zhaoqun (丁昭群) (6.06%), Mr. Luo Chuji (駱楚基) (7.575%) and Mr. Tan Bangyao (譚邦要) (7.575%). Save as Mr. Dang Fei and Ms. Luo Xi, who are our executive Directors, and Mr. Deng Daosong who is a former employee of our Group, all of Chengdu Gaopeng's shareholders are Independent Third Parties, and were not the employee of our Group during the Track Record Period.
- (2) The other partner of Guangyuan Tongda was Tongsheng Guochuang (80%).
- (3) The other shareholders of Guangyuan Tongchuang were Tongsheng Guochuang (43.33%) and Mr. Li Zhanwei (李占威) (16.67%).
- (4) The other shareholder of Guangyuan Shuneng was Tongsheng Guochuang (40%).

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth our approximate shareholding and corporate structure immediately after the completion of the Reorganisation and the Pre-IPO Investment but before the Capitalisation Issue and the Share Offer:



Notes:

- (1) Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to the Acting in Concert Undertaking.
- (2) The other shareholder of Guangyuan Tongchuang is Tongsheng Guochuang (43.33%).

HISTORY, DEVELOPMENT AND REORGANISATION

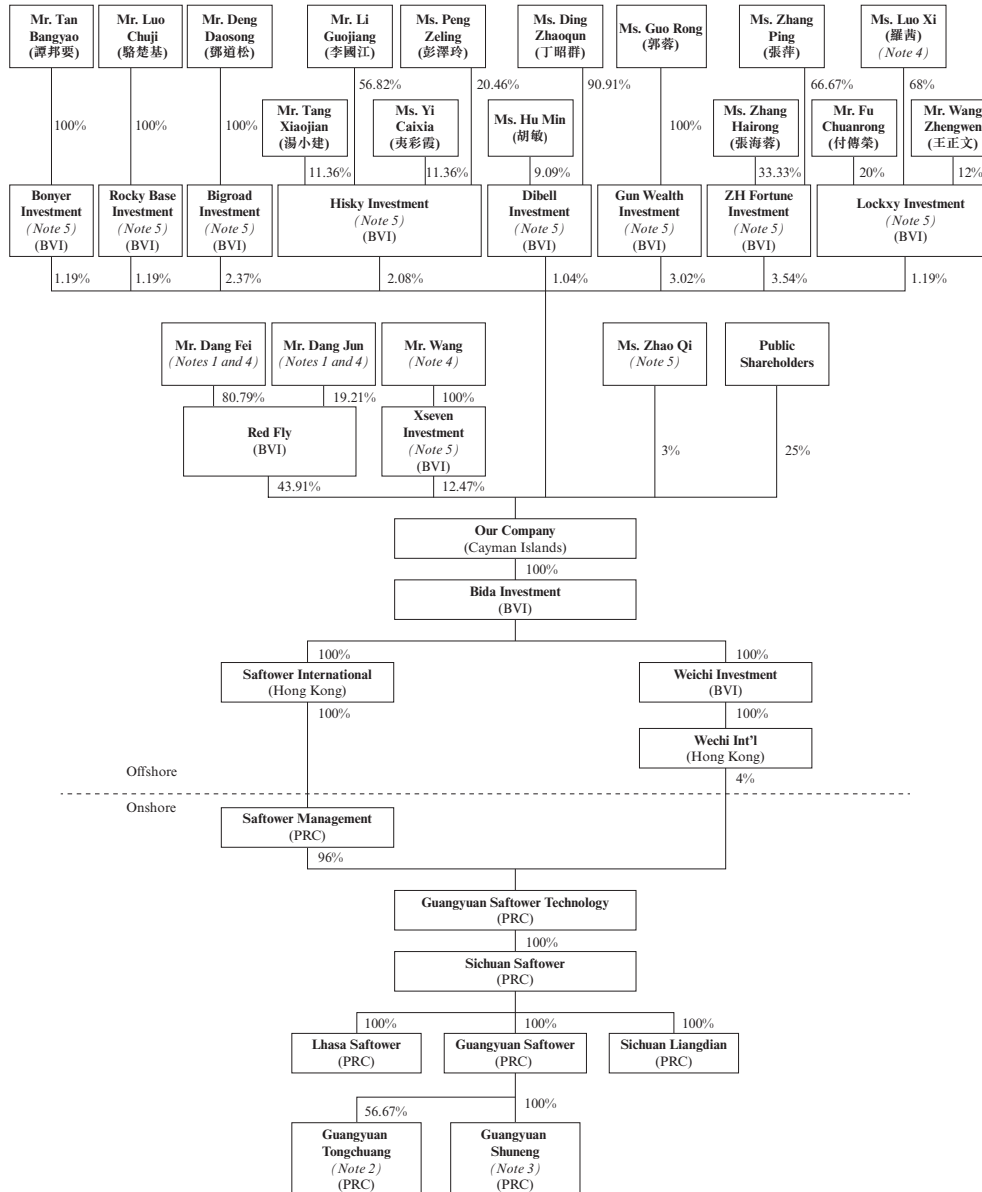
- (3) On 18 November 2019, upon the approval of Guangyuan AMR, Guangyuan Shuneng completed a 40% capital reduction of the registered capital payable by Tongsheng Guochuang of RMB3.2 million, from RMB8 million to RMB4.8 million. As a result, Tongsheng Guochuang ceased to be a shareholder of Guangyuan Shuneng. Guangyuan Shuneng became wholly-owned by Guangyuan Saftower accordingly.
- (4) Mr. Dang Fei, Mr. Wang and Ms. Luo Xi are the executive Directors of our Company and Mr. Dang Jun is a member of the senior management of our Group.

Capitalisation Issue

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Listing, our Directors are authorised to capitalise an amount of HK\$5,999,900 standing to the credit of the share premium account of our Company by applying such sum towards to pay up in full at par a total of 599,990,000 Shares for allotment and issue, immediately prior to the Share Offer, to our Shareholders whose names appear on the register of members of our Company at the close of business on 10 June 2020, in proportion (as nearly as possible without involving fractions and odd lots) to their then respective shareholding percentage in our Company, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75% of the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme).

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth our approximate shareholding and corporate structure immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the options that may be granted under the Share Option Scheme):



Notes:

- (1) Mr. Dang Fei and Mr. Dang Jun are parties acting in concert pursuant to the Acting in Concert Undertaking.
- (2) The other shareholder of Guangyuan Tongchuang is Tongsheng Guochuang (43.33%).

HISTORY, DEVELOPMENT AND REORGANISATION

- (3) On 18 November 2019, upon the approval of Guangyuan AMR, Guangyuan Shuneng completed a 40% capital reduction of the registered capital payable by Tongsheng Guochuang of RMB3.2 million, from RMB8 million to RMB4.8 million. As a result, Tongsheng Guochuang ceased to be a shareholder of Guangyuan Shuneng. Guangyuan Shuneng became wholly-owned by Guangyuan Saftower accordingly.
- (4) Mr. Dang Fei, Mr. Wang and Ms. Luo Xi are the executive Directors of our Company and Mr. Dang Jun is a member of the senior management of our Group.
- (5) The shareholdings in our Company held by each of Xseven Investment, Bonyer Investment, Rocky Base Investment, Bigroad Investment, Hisky Investment, Dibell Investment, Gun Wealth Investment, ZH Fortune Investment, Lockxy Investment and Ms. Zhao Qi will be subject to lock-up restrictions. For details, please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offer — Undertakings given under the Public Offer Underwriting Agreement” of this prospectus.

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION

Compliance with the Regulations for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”)

Under the M&A Rules, a foreign investor is required to obtain approvals from competent authorities when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from the Ministry of Commerce of the PRC (“MOC”) is required.

As mentioned in the paragraph headed “Corporate Development — Guangyuan Saftower Technology” in this section, Wechi Int’l acquired 4% equity interest in Guangyuan Saftower Technology from Mr. Wang on 16 January 2019 (the “4% Acquisition”). As confirmed by our PRC Legal Advisers, all the requisite approvals, permits and licences in relation to the 4% Acquisition had been obtained pursuant to applicable laws and regulations in the PRC and the 4% Acquisition was in compliance with the M&A Rules and had been duly approved by competent regulatory authorities, based on the following:

- (i) the 4% Acquisition does not constitute transactions requiring approvals from the MOC and the CSRC under the M&A Rules, due to the facts that (a) at the time when the 4% Acquisition took place, Ms. Zhao Qi was a Hong Kong Permanent Resident and was not a domestic natural person under the M&A Rules; and (b) the 4% Acquisition were not related acquisitions under the M&A Rules;

HISTORY, DEVELOPMENT AND REORGANISATION

- (ii) the revised business licence of Guangyuan Saftower Technology was issued by Guangyuan AIC on 30 January 2019, which states the type of corporation of Guangyuan Saftower Technology as “limited liability company (joint venture of Taiwan, Hong Kong, Macau and the PRC) (percentage of foreign investment less than 25%)” (有限責任公司(台港澳與境內合資)(外資比例低於25%));
- (iii) Guangyuan Bureau of Commerce* (廣元市商務局) issued the “Proof of Establishment of Enterprises with Foreign Investment” (外商投資企業設立備案回執) on 2 February 2019, which states the type of business (企業類型) as joint venture (合資); and
- (iv) Guangyuan AMR and Guangyuan Bureau of Commerce* (廣元市商務局) are the competent authorities for the approval of the 4% Acquisition under the M&A Rules.

As for the acquisition of 96% of the equity interest in Guangyuan Saftower Technology by Saftower Management on 29 May 2019, our PRC Legal Advisers advised that such acquisitions are transfers of equity interest in foreign invested enterprises as Guangyuan Saftower Technology had become Sino-foreign joint venture enterprise at the time of the acquisitions and Saftower Management is a company established in the PRC, thus the M&A Rules is not applicable and approval from the MOC and/or the CSRC is not required. Instead, such acquisitions shall comply with the Interim Measures for the Recordation Administration of the Formation and Modification of Foreign-Funded Enterprises (外商投資企業設立及變更備案管理暫行辦法) and the relevant provisions in the Rules on the Changes of Shareholding of Foreign-invested Enterprise Investors (外商投資企業投資者股權變更的若干規定), as the case may be, and are subject to approval of the authority approving the establishment of Guangyuan Saftower Technology as a Sino-foreign joint venture enterprise, i.e. Guangyuan AMR and Guangyuan Bureau of Commerce.

Compliance with the Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents Through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“Circular 37”)

As confirmed by our PRC Legal Advisers, Mr. Dang Fei, Mr. Dang Jun, Mr. Wang, and Mr. Tan Bangyao (譚邦要), Mr. Luo Chuji (駱楚基), Mr. Deng Daosong (鄧道松), Mr. Li Guojiang (李國江), Ms. Peng Zeling (彭澤玲), Mr. Tang Xiaojian (湯小建), Ms. Yi Caixia (夷彩霞), Ms. Ding Zhaoqun (丁昭群), Ms. Hu Min (胡敏), Ms. Guo Rong (郭蓉), Ms. Zhang Ping (張萍), Ms. Zhang Hairong (張海蓉), Ms. Luo Xi (羅茜), Mr. Fu Chuanrong (付傳榮) and Mr. Wang Zhengwen (王正文), being some ultimate individual shareholders of our Company, have completed the foreign exchange registration pursuant to Circular 37.

Our PRC Legal Advisers further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation and equity interests transfer in respect of the PRC subsidiaries in our Group as set out in this section have been obtained, and the Reorganisation has completed all necessary processes under the PRC laws and regulations.