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China Saftower International Holding Group Limited

中國蜀塔國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8623)

MAJOR TRANSACTION DISPOSAL OF ASSETS

THE DISPOSAL

The Board is pleased to announce that on 30 August 2023 (after trading hours), the Vendor, an indirect wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Assets subject to the terms and conditions thereunder.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 25%, but all are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder with a material interest in the Agreement and the Disposal or his/her close associate is required to abstain from voting on resolution(s) approving the Agreements and the Disposal under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Agreement and the Disposal.

In accordance with Rule 19.44 of the GEM Listing Rules, the Company has obtained the written approval from the closely allied group of Shareholders comprising Red Fly Investment Limited, Xseven Investment Limited, Hisky Investment Limited and Mr. Li Guojiang who are collectively beneficially interested in an aggregate of 471,980,000 Shares, which represents approximately 51.30% of issued Shares as at the date of this announcement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Agreement and the Disposal.

Pursuant to Rule 19.41(a) of the GEM Listing Rules, a circular containing, among other things, details of the Disposal and the valuation report of the Assets will be despatched to the Shareholders on or before 20 September 2023, being 15 business days after the publication of this announcement.

INTRODUCTION

The Board is pleased to announce that on 30 August 2023 (after trading hours), the Vendor, an indirect wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Assets subject to the terms and conditions thereunder.

THE AGREEMENT

A summary of the principal terms and conditions of the Agreement is set out below:

Date: 30 August 2023

Parties (i) The Vendor
(ii) The Purchaser

Subject assets: The Assets

Consideration: RMB24,862,215.93 (equivalent to approximately HK\$26,769,147.89)

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser and determined with reference to the preliminary valuation of the Assets made by an independent valuer as at 27 July 2023. The full text of the valuation report prepared by the valuer will be contained in the circular to be despatched to the Shareholders.

Payment terms: The Consideration shall be payable by the Purchaser to the Vendor in the following manner:

(a) approximately 42.23% of the Consideration, that is RMB10,500,000.00 (equivalent to approximately HK\$11,305,350.00) shall be payable to the Vendor within 30 days after the Completion;

- (b) approximately 43.07% of the Consideration, that is RMB10,707,479.53 (equivalent to approximately HK\$11,528,743.21) shall be payable to the Vendor within 4 months after the Completion; and
- (c) the remaining approximately 14.70% of the Consideration, that is RMB3,654,736.40 (equivalent to approximately HK\$3,935,054.68) shall be treated as retention money and payable to the Vendor within 3 years after the Completion.

Condition precedents: The fulfilment of the parties' obligation under the Agreement is conditional upon the satisfaction of the following conditions:

- (i) the Purchaser having obtained its shareholders' approvals for the transactions contemplated under the Agreement;
- (ii) the Company having obtained its shareholders' approvals in accordance with the GEM Listing Rules and its articles of association for the transactions contemplated under the Agreement; and
- (iii) the Vendor and/or the Company having obtained all necessary approvals for the transactions contemplated under the Agreement.

Completion: The Completion shall take place on a date within 3 business days after all the conditions precedent have been satisfied.

INFORMATION OF THE ASSETS

The net loss attributable to the Assets for the year ended 31 December 2021 and 2022 are as follows:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Net loss before tax	(9,045.87)	(3,322.85)
Net loss after tax	(6,548.94)	(2,518.51)

As at 30 June 2023, the net book value of the Assets was approximately RMB30,468,392.31 (equivalent to approximately HK\$32,805,318.00).

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon the Completion, the Group is expected to recognise an unaudited loss of approximately RMB5.61 million (equivalent to approximately HK\$6.04 million), representing the difference between the Consideration and the net asset value of the Assets as at 30 June 2023 after deducting all estimated costs and expenses relating to the Disposal. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to the review and audit by the auditors of the Company

Based on the Consideration and the associated cost of the Disposal of approximately RMB24.86 million (equivalent to approximately HK\$26.77 million), the Group is expected to receive an aggregate net proceed of RMB24.86 million (equivalent to approximately HK\$26.77 million) from the Disposal. The Group intends to use the net proceeds of the Disposal as general working capital for the daily operation. The Group expects that the net proceeds of the Disposal will be fully utilised by the Group within one year upon the receipt of the entire Consideration from the Purchaser.

INFORMATION OF THE PURCHASER

The Purchaser is a company established under the laws of the PRC with limited liability. It is principally engaged the manufacturing and sales of various metal materials and products, and it has various sales channels of aluminium products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner, Mr. Yang Xiaoming, who owns 90% of the equity interest in the Purchaser, is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu and Guangyuan of Sichuan Province, the PRC. The Vendor is principally engaged in processing of aluminium cast-rolled coil and aluminium plate, and manufacturing of foil, and it operates a production plant at Ya'an, Sichuan Province, the PRC.

Reference is made to the MOU Announcement. On 28 July 2023, Yaan Baosheng assigned and transferred the Assets to the Vendor as an internal restructuring within the Group. Both Yaan Baosheng and the Vendor are indirect wholly owned subsidiaries of the Company. As disclosed in the MOU Announcement, the wires and cables industry is highly competitive in recent years as the demand of and investment scale to cables are decreasing; further, the supply of raw material has been unstable in recent years and the operating costs of the Yaan Baosheng have been increasing. In fact, Yaan Baosheng has been making loss for the two years ended 31 December 2022 and six months ended 30 June 2023.

In view of the approach made by the Purchaser expressing an interest to acquire the Assets and considering the unsatisfactory performance of the Yaan production plant and the aluminium recycling industry in recent years, the Board believes that the entering into of the Agreement might provide a way to the better utilization of the assets of the Group and reduce the Group's debt ratio and cost of debt which would improve the financial position of the Group. The Board considers that the Agreement has been entered into on normal commercial terms after arm's length negotiation between the Vendor and the Purchaser, and is in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal exceed 25%, but all are less than 75%, the Disposal constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder with a material interest in the Agreement and the Disposal or his/her close associate is required to abstain from voting on resolution(s) approving the Agreements and the Disposal under the GEM Listing Rules if the Company were to convene a general meeting for the approval of the Agreement and the Disposal.

In accordance with Rule 19.44 of the GEM Listing Rules, the Company has obtained the written approval from the closely allied group of Shareholders comprising Red Fly Investment Limited, Xseven Investment Limited, Hisky Investment Limited and Mr. Li Guojiang, who are respectively beneficially interested in 351,280,000 Shares, 99,760,000 Shares, 6,310,000 Shares and 14,630,000 Shares, and collectively beneficially interested in an aggregate of 471,980,000 Shares, which represents approximately 51.30% of issued Shares as at the date of this announcement. Red Fly Investment Limited is owned as to 80.79% by Mr. Dang Fei, who is the chairman and an executive Director. Xseven Investment Limited is wholly owned by Mr. Wang Xiaozhong, an executive Director. Hisky Investment Limited is owned as to 56.82% by Mr. Li Guojiang. Mr. Dang Fei and Mr. Wang Xiaozhong are the founders of the Group and Mr. Li Guojiang has been an investor of the Group before the listing of the Shares on GEM; for details, please refer to the section headed "History, development and reorganization" of the prospectus of the Company dated 24 June 2020. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Agreement and the Disposal.

Pursuant to Rule 19.41(a) of the GEM Listing Rules, a circular containing, among other things, details of the Disposal and the valuation report of the Assets will be despatched to the Shareholders on or before 20 September 2023, being 15 business days after the publication of this announcement.

DEFINITION

Unless otherwise specified, capitalized terms not previously defined in this announcement shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 30 August 2023 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Assets
“Assets”	all of the Vendor’s equipment and plants in relation to the production of aluminium cast-rolled coil and aluminium plate and foil as more particularly listed in the Agreement
“Board”	the board of Directors of the Company from time to time
“close associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Company”	China Saftower International Holding Group Limited (中國蜀塔國際控股集團有限公司), an exempted company incorporated under the laws of Cayman Islands whose issued shares are listed on the GEM of the Stock Exchange
“Completion”	the completion of the Disposal
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Consideration”	RMB24,862,215.93, being the total sum of the consideration payable by the Purchaser for acquisition of the Assets under the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the Group’s disposal of the Assets pursuant to the terms and conditions of the Agreement
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person or company not connected to any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them as defined in the GEM Listing Rules
“MOU Announcement”	the announcement of the Company dated 25 July 2023 in relation to the memorandum of understanding entered into between Yaan Baosheng and the Purchaser
“PRC”	the People’s Republic of China
“Purchaser”	Taizhou Heyu New Material Technology Co., Ltd.* (台州合裕新材料科技有限公司), an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Sichuan Saftower Industry Company Limited* (四川蜀塔實業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company

“Yaan Baosheng” Yaan Baosheng Metal Material Co., Ltd.* (雅安寶盛金屬材料有限公司), a company incorporated in the PRC with limited liability and an indirect wholly owned subsidiary of the Company

“%” per cent

* for identification purposes only

By order of the Board
China Saftower International Holding Group Limited
Dang Fei
Chairman and Executive director

Hong Kong, 31 August 2023

As at the date of this announcement, 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 announcement, for which the Directors 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the Stock Exchange’s website at www.hkexnews.hk on the “Latest Listed Company Information” page for at least seven days from the date of its publication and on the website of the Company at www.saftower.cn.