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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)**

## **CONNECTED AND DISCLOSEABLE TRANSACTION ACQUISITION OF 30% EQUITY INTEREST IN THE TARGET COMPANY**

### **THE ACQUISITION**

On 7 July 2023 (after trading hours), the Purchaser, an wholly-owned subsidiary of the Company, and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 30% of the equity interest in the Target Company at the total consideration of RMB4.2 million.

Prior to the Acquisition, the Target Company is owned as to 70% by the Group and is a subsidiary of the Company, of which its financial results have been consolidated into that of the Group. The Sale Equity Interest represents 30% of the issued share capital of the Target Company, hence upon the completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

### **GEM LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

In addition, as the Vendor holds as to 30% of the equity interest in the Target Company, the Vendor is a substantial shareholder of the Target Company and is regarded as a connected person of the Company under Chapter 20 of the GEM Listing Rules. Therefore, the Acquisition constitutes a connected transaction under the GEM Listing Rules. However, since the Vendor is only a connected person at the subsidiary level, on the basis that (i) the Directors have approved the Acquisition (none of the Directors have a material interest in the Acquisition and none of them are required to abstain from voting at the Board meeting which approved the Acquisition); and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

## THE EQUITY TRANSFER AGREEMENT

On 7 July 2023, the Vendor and the Purchaser entered into the Equity Transfer Agreement. Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 30% of the equity interest in the Target Company, free from encumbrances, at the total consideration of RMB4.2 million.

Prior to the Acquisition, the Target Company is owned as to 70% by the Group and is a subsidiary of the Company, of which its financial results have been consolidated into that of the Group. The Sale Equity Interest represents 30% of the issued share capital of the Target Company, hence upon the completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The principal terms of the Equity Transfer Agreement are set out below.

**Date** 7 July 2023 (after trading hours)

**Parties**

- (i) Mr. Qin Chunlin (卿春麟), as the Vendor
- (ii) Saftower Business Management (Guangyuan) Co. Ltd\* (蜀塔企業管理(廣元)有限公司), as the Purchaser

### Assets to be acquired

30% equity interest in the Target Company, free from any encumbrances.

## **Conditions Precedent**

Completion of the Equity Transfer Agreement is conditional upon, among others, the following conditions being fulfilled:

- (a) obtaining the necessary approval(s) by the Purchaser regarding the Acquisition; and
- (b) within seven days from the Equity Transfer Agreement taking effect, the Vendor shall effect the transfer of the equity interest in the Target Company by registering the transfer with the relevant government authority(ies).

## **Consideration**

The Consideration for the Acquisition is RMB4.2 million, which shall be paid in the following manners:

1. the Purchaser (or its nominee) shall pay RMB1.1 million to the Vendor by the date of signing of the Equity Transfer Agreement; and
2. the Purchaser (or its nominee) shall pay the remaining balance of the Consideration to the Vendor by instalments of RMB200,000 in every subsequent seven days until the full amount of the Consideration is paid.

## **Basis of Consideration**

The Consideration was arrived at after arm's length negotiation between the parties and on normal commercial terms with reference to the amount of 30% of the registered and paid-up capital of the Target Company of RMB14,000,000 in total as at the date of this announcement, which is RMB4,200,000. The Consideration will be financed by internal resources of the Company.

## **INFORMATION OF THE GROUP**

The principal activity of the Company is investment holding. The Group is a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu and Guangyuan of Sichuan Province, the PRC. The Group's products can be broadly classified into four categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; and (iv) other products, which comprise cable accessories. The Group's portfolio of finished wires and cable 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.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC. The principal business of the Target Company involves processing of aluminium cast-rolled coil and aluminium plate, and manufacturing of foil. Its products mainly include aluminium strip, pre-roll coating, diamond plate, pre-sensitised alloy plate and thick foil coil, etc. The original acquisition cost of the Sale Equity Interest by the Vendor was RMB4.2 million.

As at the date of this announcement, the Target Company operates a production plant at Ya'an, Sichuan Province, the PRC, which is of the size of approximately 33,000 square metres. The designed production capability of the Ya'an plant is 80,000 tonnes of aluminium products per annum.

### Financial information on the Target Company

The financial information of the Target Company is illustrated below.

Set out below is a summary of the audited financial information on the Target Company for the two years ended 31 December 2022 and three months ended 31 March 2023 prepared in accordance with the PRC Accounting Standards:

#### Income statement

	For the year ended 31 December 2021 (RMB'000)	For the year ended 31 December 2022 (RMB'000)	For the three months ended 31 March 2023 (RMB'000) (unaudited)
Revenue	159,180	391,067	<b>50,243</b>
Gross loss	(7,218)	(15,803)	<b>(396)</b>
Net loss	(2,519)	(6,549)	<b>(1,110)</b>

#### Balance Sheet

	As at 31 December 2021 (RMB'000)	As at 31 December 2022 (RMB'000)	As at 31 March 2023 (RMB'000) (unaudited)
Total assets	91,077	83,704	<b>59,217</b>
Total liabilities	107,626	116,219	<b>92,842</b>
Net liabilities	(16,548)	(32,515)	<b>(33,625)</b>
Net liabilities of the Sale Equity Interest	(4,964)	(9,754)	<b>(10,087)</b>

## **REASONS AND BENEFITS OF THE ACQUISITION**

The Group is a regional manufacturer and supplier of wires and cables, with integrated production facilities situated in Chengdu and Guangyuan of Sichuan Province, the PRC. The Group's products can be broadly classified into four categories: (i) finished wires and cables; (ii) semi-finished wires; (iii) aluminium products; and (iv) other products, which comprise cable accessories. The wires and cables industry is highly competitive in recent two to three years as the demand of and investment scale to cables are decreasing due to the outbreak of the COVID-19 pandemic and the rise of use of ultra-high voltage grid construction and new energy in the construction of electricity infrastructure.

The Company has been informed by the Vendor of its intention to dispose of the Sale Equity Interest. In order to ensure that the Sale Equity Interest would not be sold to a third party, the Group considers it is an opportunity to consolidate the ownership of the Target Company at the price equal to the paid-up capital of the Sale Equity Interest. Since the Group has already owned 70% of the equity interest in the Target Company, the Board considers that the Acquisition would enable the Group to improve the competitiveness of the Target Company by providing more resources and support of the Group in the hope of improving the profitability of the Target Company and the Group as a whole.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement and the Acquisition are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE ACQUISITION**

Prior to the Acquisition, the Target Company is owned as to 70% by the Group and is a subsidiary of the Company, of which its financial results have been consolidated into that of the Group. The Sale Equity Interest represents 30% of the issued share capital of the Target Company, hence upon the completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

## **GEM LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

In addition, as the Vendor holds as to 30% of the equity interest in the Target Company, the Vendor is a substantial shareholder of the Target Company and is regarded as a connected person of the Company under Chapter 20 of the GEM Listing Rules. Therefore, the Acquisition constitutes a connected transaction under the GEM Listing Rules. However, since the Vendor is only a connected person at the subsidiary level, on the basis that (i) the Directors have approved the Acquisition (none of the Directors have a material interest in the Acquisition and none of them are required to abstained from voting at the Board meeting which approved the Acquisition); and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	acquisition of the Sale Equity Interest in the Target Company by the Purchaser
“Board”	the board of Directors
“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
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Consideration”	RMB4.2 million, being the total sum of the consideration payable under the Equity Transfer Agreement
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the conditional agreement dated 7 July 2023 entered into between the Vendor and the Purchaser regarding the acquisition of 30% of the equity interest held by the Vendor in the Target Company at the consideration of RMB4.2 million

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	The People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Purchaser”	Saftower Business Management (Guangyuan) Co. Ltd* (蜀塔企業管理(廣元)有限公司), a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of the Company
“Sale Equity Interest”	30% equity interest in the Target Company currently owned by the Vendor, which is conditionally agreed to be sold by the Vendor and conditionally agreed to be purchased by the Purchaser under the Equity Transfer Agreement
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the same meaning ascribed to it under the GEM Listing Rules
“Target Company”	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 is indirectly owned at to 70% by the Company and is a subsidiary of the Company
“Vendor”	Mr. Qin Chunlin (卿春麟), a PRC resident and is the registered owner of 30% equity interest in the Target Company, the substantial shareholder of the Target Company and a connected person at subsidiary level of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent

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

Hong Kong, 7 July 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](http://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](http://www.saftower.cn).*