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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO A POTENTIAL DISPOSAL

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of China Saftower International Holding Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provision under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 25 July 2023 (after trading hours), Yaan Baosheng Metal Material Co., Ltd.* (雅安寶盛金屬材料有限公司) (the “**Potential Vendor**”), a company incorporated in the People’s Republic of China (“**PRC**”) with limited liability and an indirect non-wholly owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Taizhou Heyu New Material Technology Co., Ltd.* (台州合裕新材料科技有限公司) (the “**Potential Purchaser**”).

Pursuant to the MOU, the Potential Vendor intends to transfer and the Potential Purchaser intends to take up, inter alia, all of the Potential Vendor’s equipment (including any liability attached thereto), plants and labourers in relation to the production of aluminium cast-rolled coil and aluminium plate and foil (the “**Potential Disposal**”).

Duration and termination

The MOU is valid for one year. If either party wishes to terminate the MOU before expiration, it shall give to the other not less than three months’ prior notice in writing.

Formal Agreement

During the term of the MOU, the parties will negotiate in good faith the terms of the Potential Disposal, and use their commercially reasonable efforts to enter into a definitive agreement with respect to the Potential Disposal as soon as reasonably practicable.

Binding effect

The MOU is an expression of the parties' intention as to further negotiations. Accordingly, save for terms relating to confidentiality, term and termination, legal effect and governing law and jurisdiction, the MOU shall create no legal and binding obligations on the Potential Vendor and the Potential Purchaser.

INFORMATION OF THE POTENTIAL PURCHASER

The Potential 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 channel of aluminium products.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Potential Purchaser and its ultimate beneficial owner, Mr. Yang Xiaoming, who owns 90% of the equity interest in the Potential Purchaser, is a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules).

REASONS AND BENEFITS OF ENTERING INTO THE MOU

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 Potential 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 announcement of the Company dated 7 July 2023 in relation to the connected and discloseable transaction of the acquisition of 30% equity interest in the Potential Vendor (the "**Announcement**"). The registration formalities relating to the acquisition are expected to be completed within one to two weeks. As disclosed in the 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 Potential Vendor have been increasing. In fact, the Potential Vendor has been making loss for the two years ended 31 December 2022 and three months ended 31 March 2023, please refer to the Announcement for detail.

In view of the approach made by the Potential Purchaser for a preliminary negotiation of the Potential Disposal and considering the unsatisfactory performance of the Potential Vendor and the aluminium recycling industry in recent years, the Board believes that the entering into of the MOU 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 MOU has been entered into on normal commercial terms after arm's length negotiation between the Potential Vendor and the Potential Purchaser, and is in the interests of the Company and its shareholders as a whole.

GENERAL

As at the date of this announcement, the Potential Disposal is still subject to negotiations and no legally binding agreement on the subject matter has been entered into. The Potential Disposal, if proceeded and materialised, will constitute a notifiable transaction of the Company under Chapter 19 of the GEM Listing Rules. Further announcement(s) will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

As the MOU may or may not lead to the entering into of any definitive agreement(s), the Board wishes to emphasise that the Potential Disposal may or may not proceed. Shareholders and the potential investors of the Company are urged to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 25 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 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.