

TARGET

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T U E S D A Y

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CHINA SAFTOWER INTERNATIONAL HOLDING GROUP LTD: WOULD MANAGEMENT CARE TO COMMENT ON TARGET'S QUANDARIES ?

Certain aspects with regard to the more-recent history of China Saftower International Holding Group Ltd (中國蜀塔國際控股集團有限公司) (Code: 8623, The Growth Enterprise Market [the GEM], The Stock Exchange of Hongkong Ltd) suggest that things are not, exactly, that which one might, initially, have thought was the actual case.

One needs to scan the Share Offer Prospectus of this Company in order to appreciate the anomalusness of certain matters that, under anticipatory conditions, one would not have expected.

But, first, there is the matter of the Financial Results in respect of the six months, ended June 30, 2020.

The following intelligence is copied from the Company's announcement, dated Friday, August 14, 2020:

	For The Six Months, Ended June 30, 2020		Percentage Increase/(Decrease)
	2020	2019	
	All Figures Are Denominated In Renminbi'000		
Revenue	208,550	264,230	(21.07)
Gross Profit	14,885	15,649	(4.88)
Profit And Total Comprehensive Income For The Period	1,316	7,786	(83.10)
Profit And Total Comprehensive Income Attributable To Owners Of The Company	1,144	7,008	(83.68)

Management deemed not to comment materially on matters, relating to the Financial Results with regard to the above-mentioned period.

The Initial Public Offering (IPO) Of China Saftower International Holding Group Ltd

The First Quandary

China Saftower International Holding Group Ltd published and disseminated its Share Offer Prospectus in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** on Wednesday, June 24, 2020.

Management sought to sell a total of 200 million, one-cent Offer Shares at the Indicative Offer Price Per Share, ranging from a low of 25 cents to a high of 40 cents.

Investors of the HKSAR were given the opportunity to subscribe to 20 million Offer Shares (the Public Offer Shares tranche) while (presumably) International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with this class of investors' corporate entities in which equity control was vested (the Placing Shares tranche) – were induced to put in bona fide applications for some of the 180 million Placing Shares on offer under this tranche.

On Thursday, July 9, 2020, Management caused to have published an Announcement of the Offer Price and Allotment Results wherein it was stated that the Offer Price Per Share had been struck at 30 cents and that the results of the Share Offer had been to enrich the coffers of the Company by about \$HK21 million, net of expenses, related to the listing.

In that Announcement, it was stated that the Public Offer Shares tranche had been '*moderately over-subscribed*' with a total of 7,205 valid applications for a total of 581,730,000 Public Offer Shares, equivalent to about 29.09 times the 20 million Public Offer Shares, initially available under this Offer Shares tranche, having been received by Management.

As for the Placing Shares tranche, one was informed that this tranche had been '*slightly over-subscribed*.'

Management stated that applications for the Placing Shares in respect of a total of 204,370,000 Offer Shares had been subscribed, representing about 1.14 times the total number of Placing Shares, initially available under this tranche.

At Page Nine of this Announcement, one was told of Management's present intentions with regard to the utilisations of the net proceeds of the Share Offer:

- Approximately, \$HK11.55 million, that is about 55 percent of the net proceeds from the Share Offer, '*will be used for expanding our existing production facilities and production plant*';
- Approximately, \$HK5.25 million, that is about 25 percent of the net proceeds from the Share Offer, '*will be used for repaying part of our existing loan*';
- Approximately, \$HK2.10 million, that is about 10 percent of the net proceeds from the Share Offer, '*will be used for funding the upfront costs for the commercial production of the Shuneng Plant*'; and,
- Approximately, \$HK2.10 million, that is about 10 percent of the net proceeds from the Share Offer, '*will be used for general working capital of our Group*'.

At Page 319 of the Share Offer Prospectus, it was stated that the Listing Expenses were expected to have been about \$HK37 million, based on the Offer Price Per Share, being struck at 32.50 cents.

Ergo, Listing Expenses at \$HK37 million, with a small adjustment, taking into consideration that the actual Offer Price Per Share had been struck at only 30 cents and not 32.50 cents, exceeded the Net Proceeds, derived from Share Offer, by 76.19 percent.

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