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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 22 May 2024 (after trading hours), the Company and each of Subscriber A, Subscriber B, Subscriber C, Subscriber D, Subscriber E and Subscriber F entered into Subscription Agreement A, Subscription Agreement B, Subscription Agreement C, Subscription Agreement D, Subscription Agreement E and Subscription Agreement F, respectively, pursuant to which the Company has conditionally agreed to allot and issue, and each of the respective Subscribers has conditionally agreed to subscribe for, 39,000,000 Subscription Shares, 50,000,000 Subscription Shares, 50,000,000 Subscription Shares, 25,000,000 Subscription Shares, 10,000,000 Subscription Shares and 10,000,000 Subscription Shares, respectively. The Subscription Price per Subscription Share is HK\$0.02.

The aggregate of 184,000,000 Subscription Shares under the Subscriptions represent 20% of the total number of Shares in issue as at the date of this announcement and approximately 16.67% of the total number of Shares in issue and as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of completion of the Subscription.

The Subscription Price of HK\$0.02 per Subscription Share represents: (i) a discount of approximately 4.76% to the closing price of HK\$0.021 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements; and (ii) a discount of approximately 10.71% to the average closing price of approximately HK\$0.022 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements.

The gross proceeds from the Subscriptions are expected to be HK\$3,680,000 and the net proceeds after deducting relevant expenses are expected to be approximately HK\$3,290,000. The Group intends to use approximately 60% of the net proceeds for general working capital purpose, and the remaining 40% for repayment of bank loans and shareholder's loan.

Completion of each of the Subscriptions is subject to fulfillment (or waiver, if applicable) of the conditions precedent in the respective Subscription Agreements and the Subscriptions may or not may proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION AGREEMENTS

On 22 May 2024 (after trading hours), the Company and each of Subscriber A, Subscriber B, Subscriber C, Subscriber D, Subscriber E and Subscriber F entered into Subscription Agreement A, Subscription Agreement B, Subscription Agreement C, Subscription Agreement D, Subscription Agreement E and Subscription Agreement F, respectively, pursuant to which the Company has conditionally agreed to allot and issue, and each of the respective Subscribers has conditionally agreed to subscribe for certain Subscription Shares. The major terms of the Subscription Agreements are set out below:

Subscription Agreement	Subscription Agreement A	Subscription Agreement B	Subscription Agreement C	Subscription Agreement D	Subscription Agreement E	Subscription Agreement F
Parties	The Company and Subscriber A	The Company and Subscriber B	The Company and Subscriber C	The Company and Subscriber D	The Company and Subscriber E	The Company and Subscriber F
Number of Subscription Shares	39,000,000 Shares	50,000,000 Shares	50,000,000 Shares	25,000,000 Shares	10,000,000 Shares	10,000,000 Shares
Percentage of the total number of Shares in issue as at the date of this announcement	4.24%	5.43%	5.43%	2.72%	1.09%	1.09%
Nominal value of the Subscription Shares	HK\$390,000	HK\$500,000	HK\$500,000	HK\$250,000	HK\$100,000	HK\$100,000

Ranking of the Subscription Shares

The Subscription Shares will rank pari passu in all respects with the existing Shares in issue on the Completion Date.

The aggregate of 184,000,000 Subscription Shares under the Subscriptions represent 20% of the total number of Shares in issue as at the date of this announcement and approximately 16.67% of the total number of Shares in issue and as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the Completion Date.

Subscription Price

The Subscription Price of HK\$0.02 per Subscription Share represents:

- (i) a discount of approximately 4.76% to the closing price of HK\$0.021 per Share as quoted on the Stock Exchange on 22 May 2024, being the date of the Subscription Agreements; and
- (ii) a discount of approximately 10.71% to the average closing price of HK\$0.022 per Share as quoted to the Stock Exchange for the last five trading days up to the date immediately prior to the date of the Subscription Agreements.

The Subscription Price of the Subscription Shares was arrived at after arm's length negotiations between the Company and the Subscribers with reference to, among others, the current market conditions, the business prospects of the Group and the recent trading performance of the Shares. The Directors are of the view that the Subscription Agreements (including the Subscription Price) are on normal commercial terms and are fair and reasonable and that the Subscriptions are in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion of each of the Subscriptions shall be conditional upon:

- (i) the listing of, and permission to deal in, the relevant Subscription Shares being granted by the Stock Exchange and such listing and permission having not been revoked;
- (ii) all the warranties remaining true, accurate and not misleading in all material respects as at completion of the relevant Subscription;
- (iii) the Company has obtained the necessary approvals and consents, as it deems reasonably necessary, in relation to relevant Subscription Agreement and the transactions contemplated thereunder (including having obtained the approval from the Shareholders for the relevant Subscription);
- (iv) the relevant Subscriber has obtained the necessary approvals and consents, as he/she deems reasonably necessary, in relation to relevant Subscription Agreement and the transactions contemplated thereunder, and the necessary government and/or regulatory approvals; and

- (v) there having been no objection or suspension of trading or withdrawal or cancellation of the listing of Shares from the Stock Exchange in relation to the relevant Subscription Agreement and the transactions contemplated thereunder.

The relevant Subscriber may at his/her sole discretion waive the above conditions precedent (ii) and (iii). The Company may at its absolute discretion waive the above condition precedent (iv).

If any of the conditions precedent of the relevant Subscription Agreement has not been satisfied or waived within 90 days from the date of the Subscription Agreement (or such later date as the Company and the relevant Subscriber may agree in writing), the relevant Subscription Agreement shall automatically terminate. Upon termination of the relevant Subscription Agreement, such Subscription Agreement shall forthwith become void and of no further force and effect, and neither party shall continue to have any rights and liabilities under the relevant Subscription Agreement, save for any rights and liabilities that have accrued prior to termination under the relevant Subscription Agreement.

Completion of the Subscriptions

Completion of the Subscriptions is to take place at 12:00 noon on the Completion Date or such other time and/or date as the Company and the relevant Subscriber may agree in writing.

GENERAL MANDATE

The Subscription Shares will be issued under the General Mandate, and accordingly, the issue of Subscription Shares is not subject to the Shareholders' approval. The maximum number of Shares that can be issued under the General Mandate is 184,000,000 Shares, being 20% of the total number of Shares in issue as at the date of the annual general meeting of the Company held on 30 June 2023.

As at the date of this announcement, the Company has not allotted or issued any Share under the General Mandate.

LISTING APPLICATION

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Subscription Shares.

INFORMATION ON THE COMPANY AND THE SUBSCRIBERS

The Company is an exempted company incorporated under the laws of Cayman Islands. The Company is an investment holding company, and 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.

Subscriber A is an individual investor and a businessman. As at the date of this announcement, she does not have any interest in the Shares within the meaning of Part XV of the SFO.

Subscriber B is an individual investor and a businessman. As at the date of this announcement, she does not have any interest in the Shares within the meaning of Part XV of the SFO.

Subscriber C is an individual investor and a businessman. As at the date of this announcement, he does not have any interest in the Shares within the meaning of Part XV of the SFO.

Subscriber D is an individual investor and a businessman. As at the date of this announcement, he does not have any interest in the Shares within the meaning of Part XV of the SFO.

Subscriber E is an individual investor and a businessman. As at the date of this announcement, he does not have any interest in the Shares within the meaning of Part XV of the SFO.

Subscriber F is an individual investor and a businessman. As at the date of this announcement, she does not have any interest in the Shares within the meaning of Part XV of the SFO.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscribers is a third party independent of the Company and its connected persons.

REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS

The gross proceeds from the Subscriptions are expected to be HK\$3,680,000 and the net proceeds after deducting relevant expenses are expected to be approximately HK\$3,290,000. The net price per Subscription Share is approximately HK\$0.018. The Company intends to apply the net proceeds as follows:

- (i) approximately 60%, or HK\$1,974,000, will be used for general working capital purposes, such as procurement of raw materials and payment to suppliers; and
- (ii) approximately 40%, or HK\$1,316,000, will be used for repayment of bank loans and shareholder's loan, which can help reduce the operating costs and financial expenses of the Group, and reduce operating risks. The Company expects to utilise the said fund for (a) repayment of loan from Chengdu Rural Commercial Bank* (成都農商銀行) with principal amount of RMB250,000 before 31 May 2024; (b) repayment of loan from Baoxing Branch of Agricultural Bank Of China Limited* (中國農業銀行股份有限公司寶興縣支行) with principal amount of RMB500,000 before 31 December 2024, which is currently overdue and the Company is negotiating with the bank to repay the loan by installments; and (c) shareholder's loan from Tan Bangyao (譚邦要) with principal amount of RMB900,000 before 31 December 2024, which is currently overdue and the Company is negotiating with Tan Bangyao to repay the loan by installments.

The Directors consider that the Subscriptions represent a good opportunity to raise additional funds to meet the Company's funding needs which is beneficial to the operation and development of the Group, as well as to strengthen the shareholder base of the Company.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) immediately prior to the completion of the Subscriptions; and (ii) immediately after the completion of the Subscriptions, assuming there will be no changes in the issued share capital of the Company between the date of this announcement and the date of completion of the Subscriptions:

Shareholders	Immediately prior to the completion of the Subscriptions		Immediately after the completion of the Subscriptions	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Red Fly Investment Limited (<i>Note 1</i>)	351,280,000	38.18	351,280,000	31.82
Mr. Fu Chuanrong	120,630,000	13.11	120,630,000	10.93
Xseven Investment Limited (<i>Note 2</i>)	99,760,000	10.84	99,760,000	9.04
Ms. Luo Xi (<i>Note 3</i>)	2,160,000	0.23	2,160,000	0.20
Lockxy Investment Limited (<i>Note 3</i>)	6,350,000	0.69	6,350,000	0.58
Subscriber A	—	—	39,000,000	3.53
Subscriber B	—	—	50,000,000	4.53
Subscriber C	—	—	50,000,000	4.53
Subscriber D	—	—	25,000,000	2.26
Subscriber E	—	—	10,000,000	0.91
Subscriber F	—	—	10,000,000	0.91
Public Shareholders	339,820,000	36.94	339,820,000	30.78
Total	<u>920,000,000</u>	<u>100.00</u>	<u>1,104,000,000</u>	<u>100.00</u>

Notes:

- Red Fly Investment Limited is owned as to 80.79% by Mr. Dang Fei, an executive Director, and 19.21% by Mr. Dang Jun.
- Xseven Investment Limited is wholly owned by Mr. Wang Xiaozhong, an executive Director.
- Ms. Luo Xi is an executive Director, who beneficially owns 2,160,000 Shares and is interested in 6,350,000 Shares through Lockxy Investment Limited, a company which is owned as to 68% by Ms. Luo Xi.
- The percentage figures in the above table may not add up to 100 due to rounding.

Completion of each of the Subscriptions is subject to fulfillment (or waiver, if applicable) of the conditions precedent in the respective Subscription Agreements and the Subscriptions may or not may proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following respective meanings:

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“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 GEM of the Stock Exchange
“Completion Date”	the date of completion of the relevant Subscription pursuant to the terms and conditions of the relevant Subscription Agreement, which shall be within the third business day after the date on which the conditions precedent to the relevant Subscription Agreement are fulfilled (or waived as appropriate) or such other business day as agreed by the parties to the relevant Subscription Agreement in writing
“connected person”	has the meaning ascribed to it under the GEM Listing Rules and the word “connected” shall be construed accordingly
“Director(s)”	the director(s) of the Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 30 June 2023 to allot, issue and deal with up to 184,000,000 Shares, representing 20% of the then issued share capital of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscription of an aggregate of 184,000,000 Subscription Shares by the Subscribers in accordance with the terms and conditions of the Subscription Agreements, and “Subscription” shall mean any of them
“Subscription Agreement A”	the subscription agreement dated 22 May 2024 entered into between the Company and Subscriber A in relation to the subscription of 39,000,000 Subscription Shares
“Subscription Agreement B”	the subscription agreement dated 22 May 2024 entered into between the Company and Subscriber B in relation to the subscription of 50,000,000 Subscription Shares
“Subscription Agreement C”	the subscription agreement dated 22 May 2024 entered into between the Company and Subscriber C in relation to the subscription of 50,000,000 Subscription Shares
“Subscription Agreement D”	the subscription agreement dated 22 May 2024 entered into between the Company and Subscriber D in relation to the subscription of 25,000,000 Subscription Shares
“Subscription Agreement E”	the subscription agreement dated 22 May 2024 entered into between the Company and Subscriber E in relation to the subscription of 10,000,000 Subscription Shares

“Subscription Agreement F”	the subscription agreement dated 22 May 2024 entered into between the Company and Subscriber F in relation to the subscription of 10,000,000 Subscription Shares
“Subscription Agreements”	collectively, Subscription Agreement A, Subscription Agreement B, Subscription Agreement C, Subscription Agreement D, Subscription Agreement E and Subscription Agreement F, and “ Subscription Agreement ” shall refer to any of them
“Subscriber A”	the subscriber under Subscription Agreement A
“Subscriber B”	the subscriber under Subscription Agreement B
“Subscriber C”	the subscriber under Subscription Agreement C
“Subscriber D”	the subscriber under Subscription Agreement D
“Subscriber E”	the subscriber under Subscription Agreement E
“Subscriber F”	the subscriber under Subscription Agreement F
“Subscribers”	collectively, Subscriber A, Subscriber B, Subscriber C, Subscriber D, Subscriber E and Subscriber F
“Subscription Price”	the issue price of HK\$0.02 per Subscription Share for the Subscriptions
“Subscription Share(s)”	184,000,000 new Shares in aggregate to be allotted and issued by the Company to the Subscribers upon completion of the Subscriptions
“%”	per cent

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

Hong Kong, 22 May 2024

* *For identification purposes only*

As at the date of this announcement, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi, Mr. Li Xia, Ms. Hu Yi and Mr. Wang Yifan and the independent non-executive Directors are Dr. Zuo Xinzhang, Mr. Li Jian and Mr. Ma Kaibing.

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.