Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNOUNCEMENT IN RELATION TO USE OF PROCEEDS FROM SUBSCRIPTIONS OF SHARES UNDER GENERAL MANDATE AND ASSET IMPAIRMENT

USE OF PROCEEDS FROM SUBSCRIPTIONS OF SHARES UNDER GENERAL MANDATE

Reference is made to (i) Annual report of China Saftower International Holding Group Limited ("**Company**") for the year ended 31 December 2024; (ii) the announcement of the Company dated 22 May 2024 (the "**Announcement**"); (iii) the announcement of the Company dated 11 June 2024; and (iv) the announcement of the Company dated 16 August 2024.

Unless otherwise defined, capitalised terms used in this announcement shall have the same respective meanings as those defined in the Announcement.

The Board wishes to update the Shareholders in respect of the use of the net proceeds raised from the Share Subscription as at the date of this announcement. The actual net proceeds of the Subscription are HK$3,230,000.

	"Intended Use of Proceeds" as disclosed in the Announcement	**Actual use of proceeds**	**Comparison**
(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"	An amount of HK$1,938,000 has been used in accordance with the intended purpose, which is for general working capital purposes.	Similar proportion of the use of proceeds has been used for the intended purpose.

	"Intended Use of Proceeds" as disclosed in the Announcement	Actual use of proceeds	Comparison
(ii).	"approximately 40%, or HK$1,316,000, will be used for repayment of bank loans and shareholder's loan"	An amount of approximately HK$195,757.58 has been used to repay the loan from Chengdu Rural Commercial Bank* (成都農商銀行) on 12 November 2024. An amount of approximately HK$391,515.15 has been used for partial 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) on 13 December 2024. An amount of approximately HK$704,727.27 has been used to repay the shareholder's loan from Tan Bangyao (譚邦要).	The use of the 40% of the net proceeds is similar to what has been intended.

ASSET IMPAIRMENT

This announcement is made pursuant to Rule 17.09(2)(a) of the Rules Governing the Listing of Securities on GEM made by The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

SUMMARY OF THE ALLOWANCE FOR CREDIT IMPAIRMENT

As outlined in the Annual report of the Company for the year ended 31 December 2024, the Company recognised a loss allowance of RMB55.3 million against the gross carrying amount of its trade receivables of RMB169.8 million as at 31 December 2024.

REASONS FOR THE IMPAIRMENT

The key reasons for the impairment include:

(i). **Aging of receivables:** A material portion of the receivables was past due, with the years of past due ranging from over 1 year to 3 years.

(ii). **Customer credit deterioration:** Certain customers, including State-owned enterprises, exhibited prolonged payment delays, justifying a higher credit risk. The payment obligation of the customers arises from the provision of products from the Group and the customers have not duly paid for the costs of the products.

Follow-up actions have been done by the Group in an attempt to recover the outstanding receivables, including issuance of demand letter by legal representative. The representatives of the Company have kept demanding the customer to repay the outstanding fees.

Major past due receivables were from 4 customers of subsidiaries of the Company. Agreement for repayment by instalment was made with certain customer in order to cover the due receivables.

DETAILS OF THE IMPAIRMENT

The assessment was carried out in accordance with the generally accepted accounting principles in Hong Kong, including Hong Kong Financial Reporting Standard 9 — *Financial Instruments (HKFRS 9)* and the international valuation standards. It made use of simplified approach for trade receivables.

The Company engaged Royson Valuation Advisory Limited as the valuer, which is experienced in providing valuation services to different companies listed in the Main Board and GEM of the Stock Exchange of Hong Kong Limited.

The significant changes in the value of inputs and assumptions in the calculation of impairment, compared with those previously adopted, can be attributed to continuous growth in the overdue receivables, resulting in the increase of the loss allowance.

The valuer used flow rate matrix approach and provision matrix approach to assess the expected credit loss for trade receivables while using general approach to assess the expected credit loss for other receivables.

As mentioned above, major past due receivables were from 4 customers of subsidiaries of the Company, which contribute to the major proportion of credit loss (covering 72% of the loss). The 4 customers are independent third parties and have 5 years or more of

business relationships with the Group. Due diligence work has been done in relation to the background of the 4 customers before commencement of business with the counter parties. The details of the customers are set out as follows.

	Guang Yuan Guoda Technology Limited Company* (廣元國大科技有限公司)	**Guang Yuan Zhendong aluminium industry Limited Company*** (廣元震東鋁業有限公司)	**Guang Yuan Zi Rao Trading Limited Company*** (廣元紫饒貿易有限公司)	**Chengdu Yu Jing Hui Commerce Limited Company*** (成都煜景輝商貿有限公司)
Historical amount of overdue receivables	a total of approximately RMB56,430,429, with RMB1,675,565 which is a debt past due over 3 years.	a total of approximately RMB39,897,880, with RMB38,361,967 past due over 1 year.	a total of approximately RMB18,325,686.96 which is a debt past due over 2 years.	a total of approximately RMB1,838,669 which is a debt past due over 2 years.
Reasons of overdue receivables	This customer purchased products from the Group and did not repay part of the purchase price.			
Latest status of the receivables as of the date of Announcement	Overdue receivables in the amount of RMB44,048,250.02	Overdue receivables in the amount of RMB39,897,880.46	Overdue receivables in the amount of RMB20,709,642.38	Overdue receivables in the amount of RMB1,838,669.22
Follow-up actions	The Group issued demand letter through legal representative and also made telephone calls and visited the customer's office for requesting repayments.			
Expected timeline to recover the overdue receivables	A subsidiary of the Company signed a Repayment Agreement (還款協議書) on 31st January 2024 ("**the Repayment Agreement**") with this customer and the following is the repayment schedule of the outstanding receivables: (a) RMB20 million to be repaid in 2025; (b) RMB20 million to be repaid in 2026; (c) RMB20.629 million to be repaid in 2027 (which is the final payment).	Before the end of this year, the Group will sign repayment agreements with the respective customers with instalments spanning over 3 to 5 years.		

	Guang Yuan Guoda Technology Limited Company* (廣元國大科技有限公司)	Guang Yuan Zhendong aluminium industry Limited Company* (廣元震東鋁業有限公司)	Guang Yuan Zi Rao Trading Limited Company* (廣元紫饒貿易有限公司)	Chengdu Yu Jing Hui Commerce Limited Company* (成都煜景輝商貿有限公司)
Ongoing transaction	There is ongoing transaction with this customer after the receivables became overdue. The reason why the Company has ongoing transaction with this customer is that the customer has been making repayments following the repayment schedule stipulated in the Repayment Agreement.	No transactions since March 2023, after the receivables became overdue.	No transactions since January 2023, after the receivables became overdue.	No transactions since February 2024, after the receivables became overdue.

REASONS FOR ADOPTION OF THE EXPECTED LOSS RATE

In determining the default risk, the Company mainly considers factors including, but not limited to, the past default history, the duration of the underlying balances, the possibility of adverse change in the debtor's business environment and their own financial position.

Forward-looking information was incorporated in arriving at the expected credit loss. Relevant macroeconomic factors were identified, the most relevant macroeconomic factor in affecting the default rates being the real GDP, and historical figures were analyzed.

The increase in loss rates as compared to the previous financial year is attributed to the following factors:

(i). Worsening macroeconomic outlook

Compared to 2023, the overall economic environment has worsened. The economy is growing more slowly in 2024. Some areas, like construction, utilities and energy, are facing extra challenges, which lead to the increase in past due receivables.

(ii). Shift in receivable aging profile

A larger portion of past-due receivables are classified as overdue for longer periods, which means they are more likely to be default and less overdue receivables is expected to be recovered.

BOARD'S ASSESSMENT ON THE IMPAIRMENT

The Board has conducted a thorough review of the inputs and assumptions used in the impairment assessment. The basis for determining that these inputs are fair and reasonable and on normal commercial terms includes:

1. **Market Comparisons:** The inputs were benchmarked against industry standards and peer practices to ensure alignment with prevailing market conditions.

2. **Historical Performance:** The Board analyzed historical data trends, including past performance and recovery rates.

3. **Independent Valuation:** The Board considered that the inputs were validated through an independent valuation conducted by the valuer.

4. **Economic Conditions:** The Board considered the economic environment and its impact on the business.

The Company's directors are committed to fulfilling their fiduciary duties and have exercised due skill, care, and diligence in assessing the impairment and recovering overdue receivables. This commitment is demonstrated through the following actions:

1. The Board has been maintaining frequent communication to review the financial position, including the status of overdue receivables and conducting actions.

2. The Board has conducted different actions to demand and recover overdue receivables, such as conducting telephone calls, visiting the customers, issuing legal demand letters.

3. The Board has decided to engage legal counsel to provide opinions and recommendations on the issue of recovery of overdue receivables.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expression shall have the following meaning:

"independent third party(ies)"	a company which is independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders, of the Company, its subsidiaries or any of their respective associates

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

Hong Kong, 14 October 2025

* *For identification purposes only*

As at the date of this announcement, the executive Directors are Mr. Dang Fei, Mr. Wang Xiaozhong, Ms. Luo Xi, Ms. Zhou Wenqi, Ms. Hu Yi and Mr. Cheung Wai Yin Wilson, 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.