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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)

UPDATE ON THE IMPLEMENTATION PROGRESS OF THE MEASURES TO ADDRESS THE DISCLAIMER OF OPINION FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2026

This announcement is made by China Saftower International Holding Group Limited (the "**Company**", and 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 Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to (i) the annual report of the Company for the year ended 31 December 2025 (the "**Annual Report**") published by the Company on 30 April 2026; (ii) the supplemental announcement to the Annual Report published by the Company on 28 October 2026 (the "**Supplemental Announcement**"); and (iii) the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2026 published by the Company on 27 August 2026. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as defined in the Annual Report.

The Company has been reporting the implementation progress of the measures adopted to address the Disclaimer Opinion to the Board and the Audit Committee on a quarterly basis. This announcement updates the Shareholders and potential investors on the implementation progress of those measures for the three months ended 30 September 2026 (the "**Quarter**").

DISCLAIMER OF OPINION

As disclosed in the Annual Report and the Supplemental Announcement, the auditor of the Group, Rongcheng (Hong Kong) CPA Limited (formerly known as "**CL Partners CPA Limited**"), issued a disclaimer of opinion (the "**Disclaimer Opinion**") on the Group's consolidated financial statements for FY2025. The report of the auditor was dated 30 March 2026. The Disclaimer Opinion was issued on the basis of the matters set out in the "Basis for Disclaimer of Opinion" section of the report of the auditor and in note 2 to the consolidated financial statements in the Annual Report, which include the net loss of approximately RMB121,273,000 for FY2025, the net current liabilities of approximately RMB157,273,000 and the net liabilities of approximately RMB100,143,000 as at 31 December 2025, and the Group being in default of borrowings with a principal amount of approximately RMB25,601,000 and interest payable totalling approximately RMB9,579,000. The auditor was of the view that these events and conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

THE COMPANY'S PLANS TO ADDRESS THE DISCLAIMER OPINION

In response to the Disclaimer Opinion, the Company has taken, and will continue to implement, the following eight measures to address the underlying issues and to avoid a recurrence in the financial year ending 31 December 2026, as set out in the "Action Plan to Address the Disclaimer of Opinion and Going Concern Uncertainty" in the corporate governance report of the Annual Report:

(i) Enhance the customer credit rating system, establish a dynamic monitoring mechanism for trade receivables and shorten credit periods, so as to improve the quality of the Group's working capital.

(ii) Step up recovery of trade receivables to supplement working capital.

(iii) Dispose of subsidiary assets to reduce liabilities.

(iv) Extend credit periods from suppliers to ease liquidity pressure.

(v) Continue to obtain financial support from major shareholders.

(vi) Expand sales of wires and cables, polymer materials and aluminium products to enhance profitability.

(vii) Maintain and seek to expand credit facilities from financial institutions.

(viii) Cooperate with OEM partners to reduce product costs by adopting an entrusted processing model.

Set out below is the implementation progress of the measures during the Quarter. Where no material progress in respect of a measure was recorded during the Quarter, the status of the relevant measure remains as disclosed in the Supplemental Announcement.

IMPLEMENTATION PROGRESS FOR THE QUARTER

Deepened targeted recovery of trade receivables and upgraded judicial enforcement — update in respect of measure (ii). During the Quarter, the Group continued to focus on the recovery of its large overdue trade receivables. In respect of certain major overdue debtors with large outstanding balances whose repayment progress fell short of expectation and who showed insufficient willingness to settle, the Group commenced the process of confirming the debts through judicial channels so as to preserve its assets, which is expected to be formally launched in November 2026. The Group has substantially gathered the necessary supporting documents and plans to institute court proceedings and obtain judicial confirmation of the debts with a view to crystallising its claims. The relevant debtors are actively disposing of their assets to settle the amounts owing to the Group, and the Group expects to recover approximately RMB500,000 to RMB1,000,000 of its claims through the disposal of assets by such debtors before the end of December 2026.

In parallel, the Group continued to clear aged receivables by applying a range of debt settlement methods, including the transfer of debts and claims. During the Quarter, balances owing from a number of counterparties with aged receivables were cleared and reduced by an aggregate amount of approximately RMB2,720,000. Such amount represents a reduction in the carrying amount of aged receivables through debt settlement and transfer, and does not represent cash recovered in the Quarter. The Group continues to conduct on-site visits and to negotiate staged repayment arrangements in respect of long-outstanding receivables, with a view to revitalising the existing claims and gradually improving the cash flow and asset quality of the Group.

Focused on the new materials manufacturing business and optimised the business mix — update in respect of measure (vi). The Group continued to advance the transformation of its business structure by further contracting its traditional manufacturing operations with low gross margins, high energy consumption and high capital employed, without changing the principal manufacturing capability of the Group, and concentrating resources on its new materials segments, including polymer materials and sheath materials for optical and electrical cables, which carry higher value added.

The new materials business of the Group, underpinned by the invention patents obtained by the Group in May 2026 in respect of a one-step granulation method for polyethylene sheath material for optical cables, remains at an early stage of research and development investment and product line optimisation. The production scale is currently limited, the unit cost absorption rate remains high and the earnings potential of the segment has not yet been fully released. The Group continued to carry out the research and development of new materials products, the optimisation of production lines and the initial marketing of the products, and steadily expanded its customer base and reserved intended orders. Certain customers, including China General Nuclear Power Group and Guangdong Xiangli, have commenced small-batch purchases of the Group's products. Subject to the continued stability of product quality, the Group expects that, from early 2027, unit production costs will be effectively absorbed and product gross margins will improve as order volumes grow and economies of scale gradually take effect, thereby improving the new materials business segment of the Group and laying a solid foundation for the release of results in due course.

Deepened cost reduction and efficiency enhancement on all fronts and strictly controlled fixed operating costs — update in respect of measure (viii). The Group continued to deepen its full-chain cost control system, focusing on the reduction of fixed costs and administrative expenses, and implemented the following measures during the Quarter:

- the organisational structure and staffing level were streamlined, with the overall headcount reduced by approximately 33% as compared with the same period last year, and the labour cost reduced by approximately RMB1,500,000 to RMB2,000,000;

- the layout of the production and operating premises was optimised. By optimising the production floor area, the Group expects the rental costs of its subsidiaries to decrease by approximately RMB2,000,000 on a year-on-year basis from the first half of 2027; and

- a refined expense budget control was implemented. Non-core operating and administrative expenses were strictly controlled, and administrative expenses decreased by approximately RMB1,000,000.

Aggregating the above measures, the Group expects the costs and expenses of the Group to decrease by an aggregate amount of approximately RMB5,000,000.

Optimised the asset and liability structure of the Group, disposed of high-risk entities and widened the financing channels — updates in respect of measures (iii) and (vii). In order to improve the capital structure of the Group and to reduce financial risk, the Group continued during the Quarter to carry out targeted rectification and risk review of its subsidiaries with high gearing ratios, weak profitability and significant financial risk, and to arrange the disposal of their equity interests. In respect of the disposal of the equity interests in the relevant subsidiary, the Group has reached an indicative agreement with a buyer. The

Company is currently preparing the requisite documentation and expects to submit the transaction to the Stock Exchange for approval before the end of 2026, and the disposal will be implemented after the approval has been obtained. Upon completion of the disposal, the Group expects to reduce financial liabilities by approximately RMB29,500,000 and the corresponding bank interest payable, to optimise the consolidated statement of financial position of the Group and to reduce its overall debt risk.

The Group also continued to deepen its engagement with financial institutions, with a view to securing the orderly renewal of the existing bank borrowings, resolving the outstanding debts and replacing high-cost financing, and has commenced discussions in respect of supply-chain financing arrangements with industrial partners. In particular, the Group has entered into a medium to long-term financing agreement with a partner enterprise for RMB10,000,000, of which RMB5,000,000 was received in October 2026 and the remaining RMB5,000,000 is expected to be received before the end of December 2026. In addition, the Group has made advance arrangements for the banking facilities falling due before the end of 2026, which are now at the final approval stage of the lending banks, and it is expected that the renewal of such borrowings will be completed within November 2026.

In respect of the remaining measures, namely measures (i), (iv) and (v), no material progress was recorded during the Quarter and their status remains as disclosed in the Supplemental Announcement.

FINANCIAL POSITION

As the financial information of the Group for the Quarter has not yet been compiled and will not be published until the publication of the annual results for the financial year ending 31 December 2026, the latest published financial information of the Group is the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2026. As at 30 June 2026:

(a) the amount of borrowings in respect of which the Group was in default as a result of late or overdue payment of loan principal and interest decreased from approximately RMB25,601,000 as at 31 December 2025 to approximately RMB16,728,000 as at 30 June 2026;

(b) total borrowings decreased from approximately RMB56,181,000 as at 31 December 2025 to approximately RMB55,021,000 as at 30 June 2026;

(c) revenue for the six months ended 30 June 2026 decreased by approximately 48.8% to approximately RMB86,189,000 as compared with approximately RMB168,245,000 for the corresponding period in 2025. In line with the business restructuring referred to in measure (iii) above, the revenue mix of the Group shifted towards semi-finished aluminium rods and polymeric materials, and the Group recorded a

gross loss of approximately RMB2,139,000 for the six months ended 30 June 2026 (2025: gross profit of approximately RMB662,000), while administrative and other expenses decreased by approximately RMB7,190,000, or 52.6%, to approximately RMB6,474,000;

(d) the loss for the six months ended 30 June 2026 amounted to approximately RMB7,549,000, representing a decrease of approximately 54.2% as compared with the loss of approximately RMB16,476,000 for the corresponding period in 2025. As at 30 June 2026, the Group had net current liabilities of approximately RMB157,715,000 and net liabilities of approximately RMB108,299,000; and

(e) bank and cash balances increased from approximately RMB246,000 as at 31 December 2025 to approximately RMB258,000 as at 30 June 2026, with restricted bank deposits remaining at approximately RMB11,000.

The information above is extracted from the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2026, which have not been audited or reviewed by the auditor of the Group. The figures relating to the implementation progress of the measures set out in this announcement are management information prepared by the Group and have not been audited or reviewed by the auditor of the Group nor reviewed by the Audit Committee. They are disclosed for the purpose of updating the Shareholders and potential investors on the implementation progress of the measures and should not be read as a forecast of the financial performance of the Group for the financial year ending 31 December 2026.

FUNDRAISING AND GENERAL MANDATE

Having regard to the net liability position of the Group and its funding needs, the Company continues to explore fundraising opportunities and to assess the most appropriate fundraising mechanisms to strengthen the capital base of the Group, including a potential placing of new Shares under the general mandate, having regard to prevailing market conditions.

The ordinary resolution granting the general mandate was duly passed at the annual general meeting of the Company held on 8 June 2026, pursuant to which the Board is authorised to issue and allot up to 37,435,049 Shares, being 20% of the total number of 187,175,245 Shares in issue as at the date of passing of the resolution, at any time up to the date of the next annual general meeting of the Company. As at 30 September 2026, the total number of Shares in issue remained 187,175,245 and the Company had no treasury shares.

During the Quarter, the Company has formulated an indicative fundraising plan for the issue of new Shares and has entered into discussions with potential investors. Preparatory work in relation to the placing is being carried out in an orderly manner and the placing is expected to be completed within January 2027. As at the date of this announcement, no definitive equity financing has been finalised and discussions remain at a preliminary stage; further announcements will be made as and when appropriate upon the attainment of material progress. By supplementing the equity capital and optimising the shareholding structure of the Company, the Group will reduce its financial leverage, strengthen its net asset position and lay a solid foundation for its long-term going concern.

PROSPECTS AND NEXT STEPS

The improvement work carried out by the Group during the Quarter was mainly in respect of strategic planning, targeted rectification, risk governance and structural optimisation, and the achievements to date are primarily in terms of process implementation. There has been no material improvement in the operating data of the Group for the period.

As the higher value-added new materials products of the Group are commercialised, the market promotion of such products gradually scales up, the results of the cost reduction and efficiency measures continue to be released, the disposal of high-risk assets and the capital optimisation work are implemented in an orderly manner, and the Group proceeds with the planned recruitment of a new marketing team and the commencement of online sales to increase revenue from multiple dimensions, the Group expects that the business structure, profitability level, cash flow position and overall going concern capability of the Group will undergo substantial and phased improvement from early 2027.

The Group will continue to implement the various operating improvement measures, including the judicial recovery of large trade receivables, the expansion of the new materials business, the ongoing reduction of costs and expenses, the disposal of high-risk assets and equity interests, and the optimisation of the capital structure, so as to gradually improve the profitability, cash flow and overall asset quality of the Group, to remove the going concern uncertainty step by step and to safeguard the continued and stable operation of the Group.

The Board and the Audit Committee have discussed the above action plan with the auditor and confirm that the plan directly addresses the core issues giving rise to the current Disclaimer Opinion, that management is committed to executing the plan and will report progress to the Audit Committee on a regular basis, and that the Audit Committee will continue to monitor the implementation of the plan and recommend adjustments to the Board where necessary. The Board will continue to use its best endeavours to implement the measures set out above to resolve the issues underlying the Disclaimer Opinion, and will publish further announcements as and when appropriate.

FORWARD-LOOKING STATEMENTS

The information contained in this announcement in relation to the expected timing of the implementation of the various measures, the expected reduction in liabilities, costs and expenses, the expected recovery of trade receivables, the expected approval of and completion of the disposal of equity interests in the relevant subsidiary, the expected completion of the placing of new Shares and the expected improvement in the business structure, profitability level, cash flow position and going concern capability of the Group constitutes forward-looking statements. Such statements are based on the current expectations and assumptions of the management of the Group and are subject to various risks and uncertainties. The actual results may differ materially from those expressed or implied by such statements. Shareholders and potential investors should not place undue reliance on such forward-looking statements.

Shareholders and potential investors are advised 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, 30 October 2026

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. Hu Chengbing.

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 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.

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.