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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **SolarTech International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**SOLARTECH INTERNATIONAL HOLDINGS LIMITED****星凱控股有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 1166)**

**(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE DISPOSAL OF 100% EQUITY INTEREST OF
DONGGUAN HUA YI BRASS PRODUCTS CO., LTD.*
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined under the section headed “Definitions” of this circular

A letter from the Board is set out on pages 4 to 20 of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Monday, 17 February 2025 at Regal Kowloon Hotel, Longchamps I & II, 3/F, 71 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for the SGM is also enclosed with this circular. Whether or not you intend to attend the SGM, you are advised to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 11:00 a.m. on Saturday, 15 February 2025) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) if you so wish, and in such event, the instrument appointing the proxy shall be deemed to be revoked.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 20 November 2024 in relation to the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 1166)
“Completion”	completion of the Disposal pursuant to the terms of the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB70,000,000, being the consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interest in the Target Company by the Vendor
“Equity Transfer Agreement”	the equity transfer agreement dated 20 November 2024 and entered into among the Vendor, the Purchaser, the Target Company, the Vendor’s Guarantors and the Purchaser’s Guarantor in relation to the Disposal
“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 PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) who is/are not connected person(s) of the Company and is/ are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates

DEFINITIONS

“Latest Practicable Date”	23 January 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	within 120 days after signing the Equity Transfer Agreement or such later date as the Vendor and the Purchaser may agree
“PRC”	the People’s Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	an industrial complex erected upon Land Lot No. 1924130100056 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市常平鎮松柏塘村)
“Purchaser”	Dongguan Yinhua Industrial Investment Co., Ltd.* (東莞市銀華實業投資有限公司), a company established under the laws of the PRC with limited liability
“Purchaser’s Guarantor”	Mr. Fang Yanjun (房燕軍)
“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dongguan Hua Yi Brass Products Co., Ltd.* (東莞華藝銅業有限公司), a company established under the laws of the PRC with limited liability

DEFINITIONS

“Vendor”	Modern China Enterprises Limited (華洋企業有限公司), a company incorporated in Hong Kong with limited liability
“Vendor’s Guarantors”	collectively, the Company, Chau’s Electrical (B.V.I.) Co., Ltd. (周氏電業(海外)有限公司*), Mr. Chau Lai Him (周禮謙) and Mr. Chau Chi Ho (周志豪)
“%”	per cent

In this circular, the terms, such as “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

In this circular, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “*” is for identification purpose only.

For the purpose of this circular, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.10.

LETTER FROM THE BOARD



SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

Executive Directors:

Mr. CHAU Lai Him *(Chairman and Managing Director)*

Mr. CHAU Chi Ho *(Deputy Chairman)*

Mr. LIU Dong Yang

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. CHUNG Kam Kwong

Mr. LO Wai Ming

Mr. LO Chao Ming

Ms. DOU Biling

Head office and principal place

of business in Hong Kong:

Unit 16, 12/F, Concordia Plaza

1 Science Museum Road

Tsim Sha Tsui

Kowloon

Hong Kong

24 January 2025

To the Shareholders

Dear Sir or Madam,

**(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO
THE DISPOSAL OF 100% EQUITY INTEREST OF
DONGGUAN HUA YI BRASS PRODUCTS CO., LTD.*
AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information with regard to, among other things, (i) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) a notice convening the SGM; and (iii) other information as required under the Listing Rules.

* *For identification purposes only*

LETTER FROM THE BOARD

THE DISPOSAL

On 20 November 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Purchaser, the Target Company, the Vendor's Guarantors, and the Purchaser's Guarantor entered into the Equity Transfer Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, 100% equity interest of the Target Company, for a consideration of RMB70,000,000 (equivalent to HK\$77,000,000) in cash.

THE EQUITY TRANSFER AGREEMENT

Date

20 November 2024

Parties

- (a) Vendor : Modern China Enterprises Limited (華洋企業有限公司), an indirect wholly-owned subsidiary of the Company
- (b) Purchaser : Dongguan Yinhua Industrial Investment Co., Ltd.* (東莞市銀華實業投資有限公司), an Independent Third Party
- (c) Target Company : Dongguan Hua Yi Brass Products Co., Ltd.* (東莞華藝銅業有限公司), an indirect wholly-owned subsidiary of the Company
- (d) Vendor's Guarantors : (i) The Company
(ii) Chau's Electrical (B.V.I.) Co., Ltd. (周氏電業(海外)有限公司*), an indirect wholly-owned subsidiary of the Company
(iii) Mr. Chau Lai Him (周禮謙)
(iv) Mr. Chau Chi Ho (周志豪)
- (e) Purchaser's Guarantor : Mr. Fang Yanjun (房燕軍)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, its ultimate beneficial owners and the Purchaser's Guarantor are Independent Third Parties.

LETTER FROM THE BOARD

Assets to be disposed of

The assets to be disposed of under the Equity Transfer Agreement are 100% equity interest of the Target Company.

Consideration

Pursuant to the Equity Transfer Agreement, the Consideration is RMB70,000,000, and shall be settled by cash in the following manner:

- (a) RMB30,000,000, as prepayment, shall be paid by the Purchaser to the Vendor within seven (7) working days after the signing of the Equity Transfer Agreement; and
- (b) RMB40,000,000, being the balance of the Consideration, shall be paid by the Purchaser to the Vendor within seven (7) working days from the date of Completion.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser after taking into account of (a) the preliminary valuation of 100% equity interest of the Target Company made by Peak Vision Appraisals Limited, an independent valuer (the "Valuer"), as at 31 October 2024 of approximately RMB76,500,000 (equivalent to HK\$84,150,000); (b) the current condition of the industrial property market in the PRC; and (c) other factors as set out in the paragraph headed "Reasons for and Benefits of the Disposal" of this circular.

Based on the final valuation report which is set out in Appendix IV to this circular, the market value of 100% equity interest of the Target Company as at 31 December 2024 was RMB72,955,000 (equivalent to HK\$80,250,500).

Board's assessment on the valuation of the equity interest of the Target Company

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Company is not aware of any relationships or interests between the Valuer and the Group, the Purchaser, or any of their respective substantial shareholders, directors or chief executives, or of their respective associates that could reasonably be regarded as relevant to the independence of the Valuer. Apart from normal professional fees payable to the Valuer in connection with the valuation, no arrangement exists whereby the Valuer will receive any fees or benefits from the Company, the Purchaser, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, and the Company is not aware of the existence of or change in any circumstances that would affect their independence. The Valuer has confirmed to the Company of their independence. Accordingly, the Directors considered that the Valuer is eligible to independently perform the valuation.

LETTER FROM THE BOARD

In assessing the basis of the consideration in respect of the Disposal, the Company has engaged the Valuer to appraise the value of 100% equity interest of the Target Company (the “**Business Valuation**”). The Business Valuation is prepared by Mr. Nick C. L. Kung. Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor (General Practice) who has over 20 years of experience in the valuation of business entities and properties in Hong Kong, the PRC and abroad.

The Valuer has performed site inspections of the property in 12 November 2024 and had discussion with the management of the Company on the operating status, development and financial position of the Target Company. The Valuer has also reviewed the breakdown of the balance sheet items in the course of the Business Valuation.

As advised by the Valuer, they have relied on the information provided by the management of the Company in arriving at the opinion of value, of which, they are not in the position to verify the accuracy of information provided to them by the management of the Company. Apart from the above, there is no specific limitation in the course of the Business Valuation apart from general limiting conditions adopted in the Business Valuation.

The major documents and information relied upon by the Valuer in the Business Valuation include: (i) the financial information of the Target Company as provided by the management of the Company; (ii) the operational information of the Target Company as discussed with the management of the Company; and (iii) the legal opinion and title documents regarding the title to the Property, its site and floor areas of the Property. Further, the Valuer has basically relied on the financial information of the Target Company as at the valuation date to perform the Business Valuation.

According to the Business Valuation, the appraised value of the Target Company as at 31 December 2024 was RMB72,955,000 (equivalent to HK\$80,250,500) using the asset approach.

With regard to the valuation of the equity interest of the Target Company, the Board understands from the Valuer that the asset approach is the most appropriate valuation approach to value the equity interest because (i) as at 31 December 2024, the Target Company was a property investment company holding the Property (details of which are disclosed in the paragraph headed “Information on the Target Company” below); and (ii) apart from property investment, the Target Company does not have any other operations after cessation of its trading of copper products.

In this valuation, the income approach is not suitable because (i) value of an investment holding company is more closely tied to the value of its underlying investment rather than its income generating capabilities. As such, the asset approach which sums the market value of its investment can provide a more accurate valuation; and (ii) income of an investment holding company is volatile, and preparing long-term forecasts for an investment holding company involves a high level of uncertainty in earnings estimates and underlying assumptions.

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The market approach is not suitable as there are insufficient relevant comparable transactions or comparable companies with identical investment portfolio to form a reliable basis for the Valuer's opinion of value.

The Board considers the assumptions adopted by the Valuer to be reasonable. In arriving at its appraisal result, the Valuer had, among others, adopted the following assumptions:

- (a) For the Target Company to continue as a going concern, the Target Company will successfully carry out all necessary activities for the development of its business.
- (b) Market trends and conditions where the Target Company operates will not deviate significantly from the economic forecasts in general.
- (c) The financial information of the Target Company as supplied to the Valuer has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Target Company as at the respective financial statement dates.
- (d) There will be no material changes in the business strategy of the Target Company and its operating structure.
- (e) Interest rates and exchange rates in the localities for the operations of the Target Company will not differ materially from those presently prevailing.
- (f) All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target Company operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated.
- (g) There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Company.

LETTER FROM THE BOARD

Valuation in respect of the underlying Property of the Target Company

Pursuant to Rule 5.03 of the Listing Rules, as the assets of the Target Company comprises mainly of a property interest, a separate valuation has also been conducted in respect of the property interest concerned. The Company has engaged the Valuer to appraise the value of the Property (the “**Property Valuation**”). The property valuation report is set out in Appendix V to this circular. According to the Property Valuation, the market value of the Property as at 31 December 2024 amounted to RMB272,300,000. In valuing the ancillary structures of Phase I-A of the Property, the Valuer attributed no commercial value to it as proper title certificates for it had not been obtained. In valuing Phase I-B the Property, the Valuer has adopted the investment method, by taking into account the current rents passing and the reversionary income potential of the tenancies, or where appropriate, the direct comparison method assuming the Property is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. In valuing the remaining portion of the Property, the Valuer adopted the direct comparison method assuming sale of the remaining portion of the Property in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments.

The Board considers the assumptions adopted by the Valuer is fair and reasonable. In arriving at its appraisal result, the Valuer had, among others, adopted the following assumptions:

- (a) The owner sells the Property on the open market in its existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the Property.
- (b) No forced sale situation in any manner is assumed in the valuation. In addition, the Valuer has been advised by the Company that the Property is not subject to any option or right of pre-emption which would concern or affect the sale of the Property unless otherwise specified.
- (c) No allowance has been made in the valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.
- (d) The Valuer has not carried out on-site measurements to verify the correctness of the site and floor areas of the Property but have assumed that the site and floor areas shown on the documents and floor plans available to the Valuer are correct. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to the Valuer are, therefore, only approximations.

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- (e) The Valuer has not carried out any site investigations to determine or otherwise the suitability of the ground conditions, the presence or otherwise of contamination and the provision of or otherwise suitability for services etc. for any future development. The valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred in the event of any development.

For the Property Valuation, the Board understood that:

- (a) The investment method is considered the most preferable and generally accepted method in valuing property that are generating rental income. The investment method takes into account the current rental income to be generated from the current tenancy agreement(s), and the reversionary income potential of the tenancies upon expiry of the tenancy agreement(s). For the portion of the Property that are vacant or owner occupied, the direct comparison method under the market approach is considered the most preferable and generally accepted method when market comparables are available.
- (b) The Valuer had analyzed recent market sale and rental transaction evidence of properties in the vicinity and are of the same uses, as well as similar developments with characteristics comparable to the Property (the “**Comparable Properties**”).
- (c) The Valuer believes the Comparable Properties represent an exhaustive list to the best of their knowledge.
- (d) The relevant adjustments were made by the Valuer to reflect differences between the Comparable Properties and the Property in terms of attributes including, but not limited to, time, location, floor, size, layout and condition.

Based on the above, the Board concurs that the selection of Comparable Properties used in the Property Valuation, and the basis of the adjustments made, are fair and reasonable.

LETTER FROM THE BOARD

The valuation of the entire equity interest of the Target Company is summarised below:

	Book value as at 31 December 2024	Changes	Appraised value
	<i>RMB (Note 1)</i>	<i>RMB</i>	<i>RMB (Note 1)</i>
Property (Note 2)	272,513,000	(213,000)	272,300,000
Bank loan	(103,000,000)	–	(103,000,000)
Inter-company current accounts (Note 3)	(165,853,000)	165,853,000	–
Cash and cash equivalents, prepayment, VAT and other receivables	9,884,000	–	9,884,000
Accrual, tax payables, other payables, rental deposit and accrued rental, retention payables and deferred taxation	<u>(106,229,000)</u>	–	<u>(106,229,000)</u>
100% equity interest of the Target Company	<u>(92,685,000)</u>		<u>72,955,000</u>

Notes:

1. Figures above are subject to rounding.
2. Given that the Property is held for investment by the Target Company, the value of the Property has been adjusted to its fair value in the management accounts of the Target Company, which is based on the investment method. The investment method, also known as “term and reversion” method, estimates the value of the property by capitalising the rental income on a fully leased basis having regard to the current passing rental income. In this method, the total rental income is divided into the term rental income and the reversionary rental income. The term value involves the capitalisation of the current rental income over the existing lease term. The reversionary value is taken to be current market rental income upon the expiry of the lease and is capitalised on a fully leased basis and is discounted back to the valuation date.
3. Given that the inter-company current accounts will be waived by the respective inter-companies prior to the Completion, the Valuer has excluded the inter-company current accounts in the adjusted net asset value of the Target Company as at 31 December 2024.

The inter-company current accounts (as more particularly described in the paragraph headed “Financial Effect of the Disposal on the Group” below) has also been considered by the Valuer in the Business Valuation.

LETTER FROM THE BOARD

Having considered and taking into account (i) the fact that the Business Valuation has been prepared in compliance with applicable valuation procedures and standards by the Valuer; (ii) that the Valuer had reviewed relevant financial information, operational information and other relevant data concerning the Target Company; (iii) the reasons for the adoption of the asset approach for the valuation of the entire equity interest of the Target Company; (iv) the methodologies and assumptions adopted by the Valuer; (v) the scope of the valuation and the valuation results; and (vi) the factors as indicated in the paragraph headed “Reasons for and Benefits of the Disposal” below, the Directors consider that the appraisal results reflected the value of the entire equity interest of the Target Company and are fair and reasonable.

The Board has noted that the Consideration, being RMB70,000,000, represents a discount of approximately 4.05% to the appraised value under the Business Valuation. The Directors are of the view that the Consideration is fair and reasonable having considered the prevailing market sentiment of the property market in the PRC.

Conditions precedent

Completion of the Disposal is conditional upon the fulfilment of the following conditions:

- (a) the Company having published an announcement in relation to the Equity Transfer Agreement and the transactions contemplated thereunder pursuant to the requirements of the Listing Rules;
- (b) the Company having obtained its Shareholders’ approval for the Disposal pursuant to the requirements of the Listing Rules and obtained other approvals and consent necessary for the Disposal, and the Disposal having been in compliance with all applicable requirements of the Listing Rules; and
- (c) all of the Vendor, the Purchaser, the Target Company and the Company having obtained all government or regulatory consent, permit and approval necessary for the Equity Transfer Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, only condition (a) had been fulfilled.

If any of the conditions precedent are not satisfied on or before the Long Stop Date, the Purchaser shall have the right to terminate and rescind the Equity Transfer Agreement. Under such circumstances, the Vendor and the Target Company shall jointly refund all amounts paid by the Purchaser to the Purchaser within seven (7) days after the date of rescission of the Equity Transfer Agreement.

LETTER FROM THE BOARD

Completion

Completion of the Disposal shall take place subject to the satisfaction of all the conditions precedent of the Disposal on or before the Long Stop Date. On the date of Completion, the following procedures for delivery of the 100% equity interest of the Target Company shall be completed by the Vendor and the Target Company:

- (i) registration of the change of 100% equity interest of the Target Company with the relevant authorities;
- (ii) registration of changes in the legal representative, directors, supervisors, managers and financial officers of the Target Company with the relevant authorities;
- (iii) dismissal of all employees of the Target Company;
- (iv) paying off all taxes (including late fees and fines, but excluding those otherwise stipulated), operating debts and expenses owed by the Target Company;
- (v) transfer of all original documents and materials of the Target Company to the Purchaser; and
- (vi) publication of all announcements and obtaining all resolutions related to the Equity Transfer Agreement and the transactions contemplated thereunder, as well as all relevant consent and approval procedures.

Following the Completion, the Target Company will cease to be a subsidiary of the Company.

Guarantee

Pursuant to the Equity Transfer Agreement, (a) the Vendor's Guarantors agreed to provide a joint and several guarantee in favour of the Purchaser for the performance of the obligations, responsibilities, representations, warranties, and commitments of the Vendor and the Target Company under the Equity Transfer Agreement; and (b) the Purchaser's Guarantor agreed to provide guarantee in favour of the Vendor for the performance of the obligations of the Purchaser under the Equity Transfer Agreement.

LETTER FROM THE BOARD

Termination

If the Vendor fails to satisfy the conditions precedent and complete the delivery of the equity interest on or before the Long Stop Date, the Vendor shall pay the Purchaser a fund possession fee calculated at an annual interest rate of 15% on the Consideration amount already paid by the Purchaser from the date of delay (the “**Fund Possession Fee**”). If the delay of Completion is more than 60 days, the Purchaser shall have the right to terminate the Equity Transfer Agreement, and require the Vendor and the Target Company to return all the Consideration amount already paid, together with payment of the Fund Possession Fee, and liquidated damages of RMB10,000,000.

If the Property and other real estate are subject to material restrictions on rights, or the rights are reclaimed, or Vendor or the Target Company is unable to continue exercising the rights due to agreements signed or events occurred before the date of Completion, then the Purchaser shall have the right to terminate the Equity Transfer Agreement, and require the Vendor and the Target Company to jointly refund to the Purchaser all the Consideration amount already paid, as well as the Fund Possession Fee, and jointly pay the Purchaser liquidated damages of RMB10,000,000. As at the Latest Practicable Date, no such agreements have been signed and no such events have occurred that will restrict the Vendor or the Target Company from continuously exercising their rights, thereby allowing the Purchaser to terminate the Equity Transfer Agreement.

The Purchaser shall pay the Consideration in accordance with the schedule set out in the paragraph headed “Consideration” above and in full. If the Purchaser is late in payment, the Purchaser shall pay a penalty to the Vendor at an annual interest rate of 15% on the overdue amount for each day of delay. If the delay exceeds 15 days, the Vendor shall have the right to terminate the Equity Transfer Agreement, and the Purchaser shall immediately transfer the Target Company’s equity interest back to the Vendor (if any), and pay the Vendor the aforesaid penalty as well as liquidated damages of RMB10,000,000.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established under the laws of the PRC on 28 December 1995. It is principally engaged in trading of copper products and property holding. As at the Latest Practicable Date, the Target Company is wholly owned by the Vendor and is an indirect wholly-owned subsidiary of the Company.

The Target Company owns the land use right of a parcel of the land which is situated at Songbai Tang Village, Changping Town, Dongguan City, Guangdong Province, the PRC (中國廣東省東莞市常平鎮松柏塘村), pursuant to the State-owned Land Use Rights Certificate (Dong Fu Guo Yong (2014) No. Te 24 (東府國用(2014)第特24號)). The land, with a registered site area of 102,050 sq. m., is stipulated for industrial use. The Target Company has been granted the land use right of the land until 2055. Several factory buildings (collectively, the “**Industrial Complex**”) are erected on the land, with total gross floor area of 74,752.4 sq. m. Phase I-A of the Industrial Complex comprises 1 block of 1-storey ancillary workshop and 2 blocks of 1 to

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2-storey ancillary warehouses, having a total gross floor area of approximately 3,446.34 sq. m. Phase I-B of the Industrial Complex comprises 5 blocks of 6-storey factory buildings and 1 block of 1-storey with 1-level basement equipment room with a total gross floor area of approximately 71,306.06 sq. m. Currently, (i) Phase I-B and certain portion of Phase I-A of the Industrial Complex, with gross floor area of 71,306.06 sq. m. and 1,300 sq. m. respectively, have been leased to two Independent Third Parties for industrial use until 2036 and 2024, respectively, at the total current monthly rent of RMB1,120,544.14 (inclusive of tax); and (ii) the remaining portion of Phase I-A of the Industrial Complex, with gross floor area of 2,146.34 sq. m., was previously occupied by the Group as a backup warehouse which has been left vacant. The remaining portion of the land is a vacant site which has been planned for constructing new factory buildings.

The financial information of the Target Company is set out in Appendix II to this circular. The unaudited financial information of the Target Company for the three years ended 30 June 2024 and the six months ended 31 December 2024, which has been prepared in accordance with accounting principles generally accepted in Hong Kong, is summarised as follows:

	For the year ended 30 June			For the six months ended
	2022	2023	2024	31 December 2024
	HK\$	HK\$	HK\$	HK\$
Profit/(loss) before taxation	13,269,000	1,199,000	(62,498,000)	(4,395,000)
Profit/(loss) after taxation	11,438,000	(2,995,000)	(49,586,000)	(3,199,000)

The financial information of the Target Company disclosed in the Announcement was extracted from the Group's audited consolidation. In this circular, certain adjustments have been made on the unaudited singleton financial information of the Target Company, which are either immaterial or have no impact in group level, but material in company level.

As at 31 December 2024, the Target Company had unaudited net liabilities of approximately HK\$98,706,000.

The significant loss for the year ended 30 June 2024 was mainly due to the loss resulting from change in fair value of investment property in the amount of HK\$51,650,000. For the year ended 30 June 2023, the Target Company recorded a loss of HK\$2,995,000 which was due to increase of finance cost from bank borrowings.

Save as the licence to occupy part of Phase I-A of the Industrial Complex, there are no intra-group transactions between the Group and the Target Company.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP

Based on the existing information available to the Company, the expected gain arising from the Disposal to be recognised by the Group in its consolidated income statement is estimated at approximately HK\$33,224,000, the basis of which is set out below:

	<i>HK\$</i>
Net liabilities of the Target Company as at 30 June 2024	(96,378,000)
Waiver of the inter-company current accounts (as at 30 June 2024)	<u>177,231,000</u>
Net assets after waiver of the inter-company current accounts	80,853,000
Consideration	<u>77,000,000</u>
Loss before release of cumulative exchange reserves	(3,853,000)
Release of cumulative exchange reserves	<u>37,077,000</u>
Gain on Disposal	<u><u>33,224,000</u></u>

The inter-company current accounts was the accumulated balances with the group entities for operational purpose since the incorporation of the Target Company. Waiver of the inter-company current accounts has already been considered in the above calculation and it will not have further impact on the consolidated financial statements of the remaining Group.

The cumulative exchange reserves were merely the cumulative translation difference of RMB to HK\$ since the incorporation of the Target Company. Amount of approximately HK\$37,077,000 of the exchange was released during the Disposal.

The above calculation and accounting treatment are subject to review by the auditors of the Group. The actual financial effect on the Group arising from the Disposal to be recorded in the Group's consolidated accounts will be recalculated based on the net asset value of the Target Company as at the date to which completion accounts are drawn up.

USE OF PROCEEDS

It is expected that the aggregate net proceeds of the Disposal, after deducting transaction costs and expenses, will be approximately RMB68,500,000 (equivalent to HK\$75,350,000). The Company intends to apply the net proceeds of the Disposal in the following manner:

- (i) RMB60,000,000 will be applied by April 2025 to repay two outstanding bank loans totaling approximately RMB98,700,000, with one loan due in April 2025 and the other due in August 2025; and

LETTER FROM THE BOARD

- (ii) RMB8,500,000 will be applied by February 2025 as general working capital of the Group.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in the cables and wires business, copper rod business, property investment business and holding of mining rights.

The Vendor is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

INFORMATION ON THE VENDOR'S GUARANTORS

The Company is an investment holding company incorporated in Bermuda with limited liability.

Chau's Electrical (B.V.I.) Co., Ltd. (周氏電業(海外)有限公司*) is a limited liability company incorporated in the British Virgin Islands. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in property holding.

Mr. Chau Lai Him (周禮謙) is the chairman and an executive Director of the Company, and the sole director of the Vendor.

Mr. Chau Chi Ho (周志豪) is the deputy chairman and an executive Director of the Company. He is the beneficial owner of approximately 1.67% of the Company's issued share capital.

INFORMATION ON THE PURCHASER AND THE PURCHASER'S GUARANTOR

The Purchaser is a limited liability company established under the laws of the PRC on 17 October 2024. It is principally engaged in investment, property management, property leasing, and business management. The equity interest of the Purchaser is owned as to 30% by Dongguan Hong An Industrial Holding Co., Ltd.* (東莞市弘安實業控股有限公司) (a company established under the laws of the PRC, which is owned as to 83.5% by Mr. Chen Xin (陳欣) and 16.5% by Mr. Luo Dirui (羅帝銳)), 20% by the Purchaser's Guarantor, 20% by Mr. Ye Xuqiang (葉旭強), 20% by Sheng Chuan (Dongguan) Investment Co., Ltd.* (昇創東莞市投資有限公司) (a company established under the laws of the PRC, which is owned as to 97% by Mr. Liang Yusheng (梁裕升) and 3% by Mr. Li Shaohua (李少華)) and 10% by Mr. Lu Guojie (盧國杰), all of the above individuals are private investors and are Independent Third Parties.

The Purchaser's Guarantor is a PRC citizen and private investor.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the annual report of the Company for the year ended 30 June 2024, the Company recorded net current liabilities amounted to approximately HK\$46 million. The Group has implemented a prudent financial management policy and continues to derive its working capital from different means, including sale of non-core assets to improve its financial position.

The local real estate market has been adversely impacted by the economic uncertainty over the past few years, resulting in lower transaction volume and liquidity in the recent period. The Group had been offering to lease out or sell the Property since the completion of the construction work for Phase I-B in 2023. It was only until July 2024 that the Group was able to secure a tenancy agreement in relation to Phase I-B with the tenant, and among five other potential purchasers who had approached the Group, the Purchaser is the only willing purchaser who expressed an interest in acquiring the Target Company and the underlying Property on reasonable terms. Furthermore, under the relevant construction land use planning permit, the Group is obliged to construct Phase II of the Industrial Complex, which requires the Group's further capital commitment in the expected amount of approximately RMB260,000,000, inevitably imposing a financial burden on the Group. Coupled with the lower demand for industrial properties in the city as perceived by the Group, as well as the anticipated construction costs of Phase II of the Industrial Complex, the Directors believe that the Property may not be able to generate favourable future rental returns. As a result, the Directors consider that it would be more prudent to consolidate the Group's resources in managing and maintaining its other properties in the portfolio. Given that a portion of the Industrial Complex previously used by the Group as a backup warehouse which is no longer in use and currently vacant, and the Group has other warehouses in Guangdong Province that can serve as substitutes, the Disposal will not affect the Group's operations. By relieving the burden of further capital and resource commitments required for the future development of Phase II of the Industrial Complex after the Disposal, the Disposal represents a valuable opportunity for the Group to realise the Property and obtain immediate cash flow to satisfy its financial needs amid the prevailing uncertain economic condition.

Having considered the above, the Directors are of the view that the Disposal would allow the Group to save considerable amount of maintenance and development costs, mitigate the risks of the real estate market, improve its liquidity and financial condition, and re-allocate its financial resources to better uses. Accordingly, the Directors consider that (i) the Disposal and the transactions contemplated under the Equity Transfer Agreement are on normal commercial terms; (ii) the terms of the Equity Transfer Agreement, which are determined after arm's length negotiations between the parties, are fair and reasonable; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Completion is subject to the fulfilment of the conditions precedent in the Equity Transfer Agreement, the Disposal may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

SGM

The SGM will be held at Regal Kowloon Hotel, Longchamps I & II, 3/F, 71 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Monday, 17 February 2025 at 11:00 a.m. (or any adjournment thereof), to obtain the Shareholders' approval regarding the Equity Transfer Agreement and the transactions contemplated thereunder. A form of proxy for use at the SGM are enclosed with this circular.

Any Shareholders who are involved in or interested in the Equity Transfer Agreement are required to abstain from voting on the relevant ordinary resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or their respective associates have any material interest in the Equity Transfer Agreement and the transactions contemplated thereunder and are required to abstain from voting at the SGM on the resolution in relation to the Equity Transfer Agreement and the transactions contemplated thereunder.

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. For those who intend to direct a proxy to attend the SGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the holding of the SGM (i.e. not later than 11:00 a.m. on Saturday, 15 February 2025) or any adjournment thereof.

You are urged to complete and return the form of proxy whether or not you will attend the SGM. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 12 February 2025 to Monday, 17 February 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the SGM, all transfer of Shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 February 2025.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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 circular 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 circular misleading.

RECOMMENDATION

The Directors consider that the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the SGM.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Solartech International Holdings Limited
Chau Lai Him
Chairman and Managing Director

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for the year ended 30 June 2022, the year ended 30 June 2023 and the year ended 30 June 2024 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.1166hk.com/>).

- (i) annual report of the Group for the year ended 30 June 2022 published on 27 October 2022 (Pages 61 to 160)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1027/2022102700427.pdf>)

- (ii) annual report of the Group for the year ended 30 June 2023 published on 26 October 2023 (Pages 65 to 158)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/1026/2023102600272.pdf>)

- (iii) annual report of the Group for the year ended 30 June 2024 published on 23 October 2024 (Pages 72 to 160)

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/1023/2024102300270.pdf>)

2. WORKING CAPITAL SUFFICIENCY

The Directors are satisfied, after due and careful enquiry and based on the information currently available to the Directors, that after taking into account the effects of the Equity Transfer Agreement and the transactions contemplated thereunder, the financial resources available to the Group, cash generated from future operations, the existing cash and bank balances of the Group, and available credit facilities, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

3. INDEBTEDNESS STATEMENT

As at 30 November 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group comprised the following:

(1) Bank and other borrowings

The Group had total bank and other borrowings of HK\$232,779,000 comprising (i) secured bank and other borrowings of HK\$231,778,000 by the pledge of certain investment properties, property, plant and equipment, corporate guarantees from the certain subsidiaries of the Company and a non-controlling interest of the Company; and personal guarantees from the directors of the Company and a director of the non-controlling interest of the Company; and (ii) unsecured other borrowings of HK\$1,001,000.

(2) The Group leases a property for use as office. The lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. As at 30 November 2024, the lease liabilities were approximately HK\$1,345,000, which is due within 1 year.

Save as aforesaid and apart from intra-group liabilities, normal trade payables, accruals and other payables in the ordinary course of business, at the close of business on 30 November 2024, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchase commitments, guarantees or material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 30 June 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The Company is in the course of carrying out the preparation of its financial statements for the period ended 31 December 2024 and assessing the value of its various assets in relation thereto and the figures are not yet ascertained as at the Latest Practicable Date. The Company will publish an announcement at appropriate time in compliance with the Listing Rules, if necessary.

5. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Company is an investment holding company. As at the Latest Practicable Date, the Board has no plan to change the principal business of the Group. Immediately after the Disposal, the Remaining Group will continue to principally engage in (i) manufacture and trading of cables and wires; (ii) trading of copper rods; (iii) properties holding and (iv) holding of mining right.

Business Review

Cables and Wires

For the year ended 30 June 2022, the revenue of the Remaining Group for this segment increase in the year of 2022 compared to 2021 due to the Group benefited from the easing of the COVID-19 pandemic (“COVID-19”) in China and the reopening of the international community. The world was recovering socially and economically with the widespread vaccination, which led to a continuous increase in the demand for household appliances. The turnover of approximately HK\$300,238,000 for the year ended 30 June 2022, representing an increase of 7.6% as compared to approximately HK\$278,995,000 in 2021.

For the year ended 30 June 2023, the revenue of the Remaining Group for this segment decrease in the year of 2023 compared to 2022 due to the decreased demand for home appliances amid the emerging social and economic impacts of China’s economic slowdown and the Russo-Ukrainian war in Europe. The turnover of approximately HK\$205,120,000 for the year 2023, representing a decrease of 31.7% as compared to approximately HK\$300,238,000 in 2022.

For the year ended 30 June 2024, the revenue of the Remaining Group for this segment increase in the year of 2024 compared to 2023 due to the Group’s wire and cable business picked up amid a gradual rebound in the demand for home appliances as a result of China’s consistent economic stability and the revival of social and economic activities. The turnover of approximately HK\$248,137,000 for the year 2024, representing an increase of 21.0% as compared to approximately HK\$205,120,000 in 2023.

Copper Rods

For the year ended 30 June 2022, the revenue of the Remaining Group for this segment increase in the year of 2022 compared to 2021 due to the amidst economic recovery and rising inflation, the copper rod trading business recorded growth. The turnover of approximately HK\$121,518,000 for the year 2022, representing an increase of 64.5% as compared to approximately HK\$73,875,000 in 2021.

For the year ended 30 June 2023, the revenue of the Remaining Group for this segment slightly increase in the year of 2023 compared to 2022 due to the copper prices continuous went up, the copper rod trading business saw an upward market environment during the year ended 30 June 2023. The Group has put more effort into expanding its copper rod business in light of the improved operating environment. The turnover of approximately HK\$122,269,000 for the year 2023, representing an increase of 8.9% as compared to approximately HK\$112,271,000 in 2022.

For the year ended 30 June 2024, the revenue of the Remaining Group for this segment decrease in the year of 2024 compared to 2023 mainly due to the exclusion of the turnover of Target Company. The turnover of approximately HK\$105,629,000 for the year 2024, representing an decrease of 13.6% as compared to approximately HK\$122,269,000 in 2023.

Properties holdings

For the year ended 30 June 2022, the revenue for the Remaining Group slightly decreased as compared to 2021 was mainly due to the effect of exchange rate changes. The rental income was approximately HK\$13,436,000, representing a decrease of approximately 2.3% as compared with approximately HK\$13,754,000 in 2021.

For the year ended 30 June 2023, the revenue for the Remaining Group decreased as compared to 2022 was mainly due to the disposal of the Group's properties in Kowloon Bay. The rental income was approximately HK\$12,112,000, representing a decrease of approximately 9.9% as compared with approximately HK\$13,436,000 in 2022.

For the year ended 30 June 2024, the revenue for the Remaining Group decreased as compared to 2023 was mainly due to a sluggish leasing market and the effect of changes in Renminbi exchange rate. The rental income was approximately HK\$10,502,000, representing a decrease of approximately 13.3% as compared with approximately HK\$12,112,000 in 2023.

Mining

The Remaining Group's mining right is located in Dundgobi Aimag, Mongolia. Except for the work required to maintain its mining right, the Group did not make any large-scale capital investment in respect of its mining business in Mongolia. No revenue was recorded for the year ended 30 June 2024, 2023 and 2022 as the mining business has not yet commenced.

The Parliament of Mongolia amended the Minerals Law of Mongolia 2006, marking yet another legislative change in the Mongolian mining industry. The amendments have created certain restrictions and related tax changes on the share ownership of legal entities holding licenses for mineral deposits of strategic importance. As the Remaining Group's mining right is not held strategic importance, the amendment to the Minerals Law of Mongolia 2006 did not have any impact on the Remaining Group's mining right.

The Remaining Group will closely monitor the Mongolian local and international economic conditions and adopt a more cautious approach in formulating corresponding investment strategies.

Prospects

Despite China's economic steadiness, the persistent high interest rates worldwide and the sluggish leasing market have resulted in a highly unpredictable prospect. Additionally, Donald Trump's victory in the 2024 United States presidential election will create significant uncertainty about U.S. – China trade and tariffs, diplomacy, and business exchange over the next four years. As such, the Remaining Group expects the operating environment for wires and cables to be challenging in the coming year. The Remaining Group will make timely changes to its strategies in response to the economic environment, reallocate its resources and seek solutions to increase its cash flows in the hope of minimising some of the uncertainties.

Looking ahead, the Remaining Group will continue to optimise and consolidate its existing operations, actively identify potential business partners and new business opportunities with growth potential to achieve a balanced development with existing business, expand its revenue streams to achieve diversified and sustainable development, and increase shareholder value.

Profit/Loss before tax

For the year ended 30 June 2022, the Remaining Group recorded a loss before taxation of approximately HK\$128 million as compared with a profit of approximately HK\$145 million of the corresponding period in 2021. The loss was mainly due to the effect of (i) the decrease in net gain for the fair values of the Group's investment properties; (ii) the impairment loss on mining right recognised; and (iii) the share of losses of joint ventures.

For the year ended 30 June 2023, the Remaining Group recorded a loss before taxation of approximately HK\$173 million as compared with a loss of approximately HK\$128 million of the corresponding period in 2022. The loss was mainly due to the effect of (i) the decrease in gross profit as a result of the decreases in the turnover and gross profit margin; (ii) the impairment loss on mining right; and (iii) the reversal of deferred tax assets recognised.

For the year ended 30 June 2024, the Remaining Group recorded a loss before taxation of approximately HK\$45 million as compared with a loss of approximately HK\$173 million of the corresponding period in 2023. The loss was mainly due to the effect of (i) the increase in turnover and gross profit; (ii) the reversal of the impairment loss on the mining right recognised; and (iii) the deferred tax assets credit as compared to 2023.

Liquidity and financial resources

As at 30 June 2022, the Remaining Group had total debt of approximately HK\$187 million which comprised of (i) secured interest-bearing bank borrowings of HK\$137 million and denominated in RMB and (ii) secured interest-bearing other borrowings of HK\$50 million and denominated in HKD. As at 30 June 2022, the maturity profile of the interest-bearing bank borrowings (i) HK\$168 million were repayable within one demand or one year; (ii) HK\$2 million were repayable more than one year, but not exceeding two years; (iii) HK\$17 million were repayable more than two years, but not exceeding five years. The effective interest rates for the bank loans as at 30 June 2022 ranged from 1.5% to 7.6%.

As at 30 June 2023, the Remaining Group had total debt of approximately HK\$120 million which is secured interest-bearing bank borrowings and denominated in RMB. As at 30 June 2023, the maturity profile of the interest-bearing borrowings (i) HK\$105 million were repayable within one demand or one year; and (ii) HK\$15 million were repayable more than one year, but not exceeding two years. The effective interest rates for the bank loans as at 30 June 2023 ranged from 4.98% to 7.35%.

As at 30 June 2024, the Remaining Group had total debt of approximately HK\$146 million which comprised of (i) secured interest-bearing bank borrowings of \$131 million and denominated in RMB and (ii) secured interest-bearing other borrowings of HK\$5 million and denominated in HKD. As at 30 June 2024, the maturity profile of the interest-bearing borrowings (i) HK\$156 million were repayable within one demand or one

year; (ii) HK\$13 million were repayable more than one year, but not exceeding two years; (iii) HK\$93 million were repayable more than two years, but not exceeding five years. The effective interest rates for the bank loans as at 30 June 2024 ranged from 3.0% to 7.0%.

Pledge of Assets

As at 30 June 2022, (i) investment properties of approximately HK\$367 million; (ii) property, plant and equipment of approximately HK\$0.2 million; and (iii) right of use assets of approximately HK\$0.2 million were pledged to secure general banking facilities granted to the Remaining Group.

As at 30 June 2023, investment properties of approximately HK\$281 million was pledged to secure general banking facilities granted to the Remaining Group.

As at 30 June 2024, (i) investment properties of approximately HK\$249 million; and (ii) property, plant and equipment of approximately HK\$6 million were pledged to secure general banking facilities and other borrowings granted to the Remaining Group.

Net Gearing Ratio

As at 30 June 2022, the Remaining Group's gearing ratio as at 30 June 2022 was 0.19, being a ratio of total borrowings of approximately HK\$187 million to shareholders' funds of approximately HK\$1,006 million.

As at 30 June 2023, the Remaining Group's gearing ratio as at 30 June 2023 was 0.17, being a ratio of total borrowings of approximately HK\$133 million to shareholders' funds of approximately HK\$780 million

As at 30 June 2024, the Remaining Group's gearing ratio as at 30 June 2024 was 0.20, being a ratio of total borrowings of approximately HK\$146 million to shareholders' funds of approximately HK\$733 million.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Remaining Group entered into copper forward contracts (“**Derivative Financial Instruments**”) to manage copper price risks. The Remaining Group's overall financial risk management is to ensure that transactions undertaken by the Remaining Group are in accordance with the Remaining Group's policies and not for speculative purposes. The outstanding Derivative Financial Instruments had been revalued and stated at their fair value as at 30 June 2022, 2023 and 2024. The changes in fair value were charged to the income statement. The net loss from the Derivative Financial Instruments for the year ended 30 June 2022 was approximately HK\$734,000, the net gain for the year ended 30 June 2023 and 2024 were approximately HK\$62,000 and HK\$148,000.

Financial risk management objectives and policies

The main risks arising from the Remaining Group's financial instruments in the normal course of the Remaining Group's business are foreign currency risk, credit risk, interest rate risk, liquidity risk, copper price risk and equity price risk. These risks are managed according to the Remaining Group's financial management policies and practices described below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The Remaining Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate.

The Remaining Group's main operations are in the PRC with most of the transactions settled in RMB, and the functional currency of the Remaining Group is HK\$ whereas functional currency of the subsidiaries operating in the PRC is RMB. The management considers that the business is not exposed to any significant foreign currency risk as there are no significant financial assets or liabilities of the Remaining Group are denominated in the currencies other than the respective functional currencies of the Remaining Group's entities.

Credit risk

In order to minimise credit risk, the Remaining Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Remaining Group consider that the credit risk is significantly reduced.

The Remaining Group has no significant concentration of credit with exposure spread over a number of counterparties and customers.

Bank balances and cash are mainly deposited with registered banks in the PRC and Hong Kong. The Remaining Group has policies to limit its credit exposure to any financial institution. The directors consider the credit risk on bills receivables is low since the issuers or the banks which guarantee payments of bills receivables are of high credit rating. Accordingly, the ECLs for bank balances and cash and bills receivables were expected to be minimal.

The carrying amounts of debtors, other loans and receivables and deposits, financial assets at FVTPL, bank balances and cash included in the consolidated statement of financial position represent the Remaining Group's maximum exposure to credit risk in relation to its financial assets which carry significant exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Remaining Group's interest rate risk relates primarily to the Remaining Group's floating-rate borrowings.

Management closely monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. It is the Remaining Group's policy to keep its borrowings at floating rate of interest so as to minimise the interest rate risk.

Liquidity risk

Individual operating entities within the Remaining Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Remaining Group's board when the borrowings exceed certain predetermined levels of authority.

The Remaining Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For the purpose of assessing the appropriateness of the use of the going concern basis, the directors of the Remaining Group have prepared a cash flow projection. The Directors have given careful consideration to the future liquidity and performance of the Remaining Group and the Remaining Group's available sources of financing in assessing whether the Remaining Group will have sufficient financial resources to continue as a going concern.

Employees and Remuneration Policy

As at 30 June 2022, 2023 and 2024, the Remaining Group had approximately 400, 400 and 350 employees in Hong Kong, PRC and overseas, respectively. The remuneration of the employees including director remuneration for the year ended 30 June 2022, 2023 and 2024 are HK\$69,945,000, HK\$45,441,000 and HK\$44,043,000, respectively. The Remaining Group's remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in the PRC.

Pursuant to an ordinary resolution passed at the 2022 annual general meeting of the Company held on 5 December 2022, the Company adopted a share option scheme (the "**Share Option Scheme**"). The details of the Share Option Scheme were set out in the circular of the Company dated 10 November 2022. The purpose of the Share Option Scheme is to provide incentives and/or rewards to eligible participants to enable the Company to grant options to them as incentives or rewards for their contributions and

continuing efforts to promote the interests of the Group and to enable the Group to recruit and retain high calibre employees. Eligible participants of the Share Option Scheme include, among others, employee participants that the Board considers, in their sole discretion, to have contributed or will contribute to the Group. Employee participants include any director and employee of the Company or any of its subsidiaries (including person(s) who is/are granted shares or options under the Share Option Scheme as an inducement to enter into employment contracts with the Company or its subsidiary).

During the years ended 30 June 2022, 2023 and 2024, nil, nil and 8,000,000 share options were granted to certain employee participants under the Share Option Scheme, respectively. For details, please refer to the 2022, 2023 and 2024 annual reports of the Company. After the share consolidation of the Company (as described and defined in the circular of the Company dated 20 March 2024) became effective on 15 April 2024 and the approval of the refreshment of scheme mandate limit under the Share Option Scheme by the Shareholders at the 2024 annual general meeting of the Company held on 6 December 2024, as at the Latest Practicable Date, (i) the aggregate number of Shares that may be issued under the options to be granted pursuant to the Share Option Scheme under the scheme mandate limit was 11,872,661 Shares, representing approximately 10.00% of the 118,726,617 Shares in issue as at the Latest Practicable Date; and (ii) there were a total of 11,870,000 outstanding share options entitling the holders thereof to subscribe for 11,870,000 Shares, representing approximately 10.00% of the number of 118,726,617 Shares in issue of the Company as at the Latest Practicable Date. For the six months ended 31 December 2024, no share options lapsed and no share options were exercised or cancelled.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 13 July 2022, Chau's Electrical Company Limited ("**Chau's Electrical**"), an indirect wholly-owned subsidiary of the Company, respectively entered into (i) the preliminary sale and purchase agreement with Hongkong Breezy Point Holdings Limited ("**Hongkong Breezy Point**"), pursuant to which Chau's Electrical agreed to dispose of, and Hongkong Breezy Point agreed to purchase, the properties situated at Workshop 7 with 2 lightwell spaces on 2nd floor and Workshop 5 on 1st floor, Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong at the consideration of HK\$50,000,000; and (ii) the preliminary sale and purchase agreement with Mr. Chen Weigang ("**Mr. Chen**"), pursuant to which Chau's Electrical agreed to dispose of, and Mr. Chen agreed to purchase, Car park No. L5 on 1st floor, Kingsford Industrial Centre, No. 13 Wang Hoi Road, Kowloon, Hong Kong at the consideration of HK\$2,500,000. Formal agreements were entered into on 28 July 2022 and completion of the above disposals took place on 13 October 2022.

For the year ended 30 June 2023, the Remaining Group, through a wholly-owned subsidiary, entered into an agreement with the independent purchasers to dispose of the entire issued share capital in a subsidiary, Shanghai Chau's Electrical Company Limited, at the consideration of HK\$19,063,000 in cash on 15 March 2023. The subsidiary was principally engaged in property holding in the PRC. The Disposal has been completed on 30 May 2023.

Capital Commitments and Contingent Liabilities

As at 30 June 2022, the Remaining Group had capital commitments of approximately HK\$146,090,000 which contracted but not provided for in respect of the construction for property and construction.

As at 30 June 2024 and 30 June 2023, the Remaining Group has no capital commitment.

As at 30 June 2022, the Remaining Group had issued guarantees to the extent of approximately HK\$50 million to secure the total loans of approximately HK\$50 million granted to its subsidiary

As at 30 June 2024 and 30 June 2023, the Remaining Group did not issue guarantees to secure any loan granted to its subsidiary.

Capital Structure

The Remaining Group did not make any fund raisings or any capital reorganisation during the year ended 30 June 2022, 2023 and 2024; the Group does not have any other fund raising plans as at the date of this Circular.

Share Consolidation and Change in Board Lot Size

On 4 March 2024 (the “**Announcement Date**”), the Remaining Group announced that the Board proposed to put forward a proposal to the shareholders of the Remaining Group to implement the share consolidation, pursuant to which every twenty (20) issued and unissued ordinary shares of par value of HK\$0.01 each (the “**Existing Shares**”) in the existing share capital of the Remaining Group would be consolidated into one (1) ordinary share of par value of HK\$0.20 each (the “**Consolidated Shares**” or “**Shares**”) in the share capital of the Remaining Group (the “**Share Consolidation**”).

As at the Announcement Date, the authorised share capital of the Remaining Group was HK\$500,000,000 divided into 50,000,000,000 shares of par value of HK\$0.01 each and there were 2,374,532,340 Existing Shares in issue which were fully paid or credited as fully paid.

As at the Announcement Date, the Existing Shares were traded on the Stock Exchange in board lot size of 20,000 Existing Shares and the Board proposed to change the board lot size for trading from 20,000 Existing Shares to 10,000 Consolidated Shares per board lot (the “**Change in Board Lot Size**”) upon the Share Consolidation becoming effective.

On 11 April 2024, a special general meeting of the Remaining Group was held on 11 April 2024 and the ordinary resolution for approval of the Share Consolidation was duly passed by the shareholders of the Remaining Group by way of poll.

As all the conditions of the Share Consolidation had been fulfilled, the Share Consolidation and the Change in Board Lot Size became effective on 15 April 2024.

Upon the Share Consolidation becoming effective on 15 April 2024, (i) the authorised share capital of the Company remained at HK\$500,000,000 and is divided into 2,500,000,000 Consolidated Shares of par value of HK\$0.20 each; and (2) there were 118,726,617 Consolidated Shares in issue which were fully paid or credited as fully paid. The Consolidated Shares rank *pari passu* in all respects with each other and the Share Consolidation does not result in any change in the relative rights of the shareholders of the Remaining Group.

Foreign Currency Risk

The Remaining Group is exposed to currency risk primarily through sales and purchases that are denominated in RMB. The Remaining Group’s main operations are in the PRC with most of the transactions settled in RMB, and the functional currency of the Company is HK\$ whereas functional currency of the subsidiaries operating in the PRC is RMB. As at 30 June 2022, 2023 and 2024, bank balances and cash of approximately HK\$63,790,000, HK\$77,313,000 and HK\$96,830,000, respectively, are denominated in RMB, the remaining balances are mainly denominated in Hong Kong dollars. As at 30 June 2022, 2023 and 2024, the Remaining Group’s bank and other borrowings denominated in RMB amounted to HK\$187,066,000, HK\$119,883,000 and HK\$146,442,000, respectively. The Remaining Group has not hedged its foreign currency risk.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the unaudited financial information of Dongguan Hua Yi Brass Products Co., Ltd. (the “**Target Company**”), which comprises the unaudited statements of financial position as at 30 June 2022, 2023 and 2024 and 31 December 2024 and the unaudited statements of profit or loss and other comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows for each of the three years ended 30 June 2022, 2023 and 2024 and the six months ended 31 December 2023 and 2024 (the “**Relevant Periods**”) and explanatory notes (collectively the “**Financial Information of the Target Company**”).

The Financial Information of the Target Company has been prepared and presented in accordance with the basis of preparation set out in Note 2 to the Financial Information of the Target Company on pages App II-2 to App II-8 of this circular and Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and has been prepared by the Directors solely for the purpose of inclusion in this circular in connection with the disposal of 100% equity interest of the Target Company (the “**Disposal**”).

BDO Limited, the auditor of the Company, was engaged to review the Financial Information of the Target Company of this circular set out in pages App II-2 to App II-9 in accordance with Hong Kong Standard on Review Engagements 2410 “**Review of Interim Financial Information Performed by the Independent Auditor of the Entity**” and with reference to Practice Note 750 “**Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal**” issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has included an emphasis of matter paragraph in the review report to draw attention to Note 2 to the Financial Information of the Target Company which indicates that the Target Company incurred a loss of HK\$3,199,000 for the six months ended 31 December 2024; and as at that date the Target Company had net current liabilities and net liabilities of HK\$258,830,000 and HK\$98,706,000, respectively; and the Target Company had amounts due to the Remaining Group of HK\$176,627,000 and borrowings of HK\$109,692,000 out of which HK\$11,715,000 is repayable within the next twelve months after 31 December 2024 while the Target Company’s bank balances and cash amounted to HK\$83,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Target Company’s ability to continue as a going concern. The auditor’s review conclusion is not modified in respect of this matter.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review of the Financial Information of the Target Company, nothing has come to the auditor’s attention that causes them to believe the Financial Information of the Target Company is not prepared, in all material respects, in accordance with the basis of preparation and presentation as set out in Note 2 to the Financial Information of the Target Company.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three years ended 30 June 2022, 2023 and 2024 and the six months ended 31 December 2023 and 2024

	Year ended 30 June			Six months ended 31 December	
	2022	2023	2024	2023	2024
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Revenue	46,048	34,814	51,453	26,794	5,860
Cost of sales	(46,151)	(34,842)	(51,543)	(26,834)	–
Gross (loss)/profit	(103)	(28)	(90)	(40)	5,860
Interest income	10,499	13	1	–	–
Other losses	(805)	–	–	–	–
General and administrative expenses	(2,032)	(6,625)	(1,487)	(849)	(1,076)
Selling and distribution expenses	(6)	–	–	–	–
Finance costs	(4,745)	(8,961)	(9,282)	(3,932)	(4,398)
Change in fair value of investment properties	7,326	16,779	(51,650)	(19,351)	(4,784)
Reversal of expected credit loss recognised	3,135	21	10	10	3
Profit/(loss) before taxation	13,269	1,199	(62,498)	(24,162)	(4,395)
Income tax (expense)/credit	(1,831)	(4,194)	12,912	4,838	1,196
Profit/(loss) for the year/period	<u>11,438</u>	<u>(2,995)</u>	<u>(49,586)</u>	<u>(19,324)</u>	<u>(3,199)</u>
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations	5,887	3,901	740	(1,474)	871
Other comprehensive income for the year/period	<u>5,887</u>	<u>3,901</u>	<u>740</u>	<u>(1,474)</u>	<u>871</u>
Total comprehensive income for the year/period	<u>17,325</u>	<u>906</u>	<u>(48,846)</u>	<u>(20,798)</u>	<u>(2,328)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

UNAUDITED STATEMENTS OF FINANCIAL POSITION

At 30 June 2022, 2023 and 2024 and 31 December 2024

	2022	At 30 June 2023	2024	At 31 December 2024
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Non-current assets				
Property, plant and equipment	417	314	255	227
Investment properties	314,035	342,175	296,058	289,989
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current assets	314,452	342,489	296,313	290,216
	<hr/>	<hr/>	<hr/>	<hr/>
Current assets				
Debtors, other receivables and prepayments	9,074	8,210	7,955	10,443
Bank balances and cash	54,566	41,316	2,463	83
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	63,640	49,526	10,418	10,526
	<hr/>	<hr/>	<hr/>	<hr/>
Current liabilities				
Other payables and accrued charges	23,510	101,408	79,910	81,014
Borrowings	11,715	10,800	11,277	11,715
Amounts due to the Remaining Group	153,198	164,667	177,231	176,627
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	188,423	276,875	268,418	269,356
	<hr/>	<hr/>	<hr/>	<hr/>
Net current liabilities	(124,783)	(227,349)	(258,000)	(258,830)
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities	189,669	115,140	38,313	31,386
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current liabilities				
Other payables and accrued charges	59,116	4,437	1,407	4,960
Borrowings	138,238	116,643	104,715	97,977
Deferred tax liabilities	40,753	41,592	28,569	27,155
	<hr/>	<hr/>	<hr/>	<hr/>
Total non-current liabilities	238,107	162,672	134,691	130,092
	<hr/>	<hr/>	<hr/>	<hr/>
Net liabilities	(48,438)	(47,532)	(96,378)	(98,706)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY				
Capital and reserves				
Share capital	155,803	155,803	155,803	155,803
Reserves	(204,241)	(203,335)	(252,181)	(254,509)
	<hr/>	<hr/>	<hr/>	<hr/>
Deficiencies in assets	(48,438)	(47,532)	(96,378)	(98,706)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

For the three years ended 30 June 2022, 2023 and 2024 and the six months ended 31 December 2023 and 2024

	Share capital <i>HK\$'000</i> (unaudited)	Statutory reserve fund <i>HK\$'000</i> (unaudited)	Exchange reserve <i>HK\$'000</i> (unaudited)	Property revaluation reserve <i>HK\$'000</i> (unaudited)	Accumulated losses <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
At 1 July 2021	155,803	13,853	26,549	76,136	(338,104)	(65,763)
Profit for the year	–	–	–	–	11,438	11,438
Exchange differences on translation of foreign operations	–	–	5,887	–	–	5,887
Total comprehensive income for the year	–	–	5,887	–	11,438	17,325
At 30 June 2022 and 1 July 2022	155,803	13,853	32,436	76,136	(326,666)	(48,438)
Loss for the year	–	–	–	–	(2,995)	(2,995)
Exchange differences on translation of foreign operations	–	–	3,901	–	–	3,901
Total comprehensive income for the year	–	–	3,901	–	(2,995)	906
At 30 June 2023 and 1 July 2023	155,803	13,853	36,337	76,136	(329,661)	(47,532)
Loss for the year	–	–	–	–	(49,586)	(49,586)
Exchange differences on translation of foreign operations	–	–	740	–	–	740
Total comprehensive income for the year	–	–	740	–	(49,586)	(48,846)
At 30 June 2024	<u>155,803</u>	<u>13,853</u>	<u>37,077</u>	<u>76,136</u>	<u>(379,247)</u>	<u>(96,378)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

	Share capital	Statutory reserve fund	Exchange reserve	Property revaluation reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 July 2023	155,803	13,853	36,337	76,136	(329,661)	(47,532)
Loss for the period	-	-	-	-	(19,324)	(19,324)
Exchange differences on translation of foreign operations	-	-	(1,474)	-	-	(1,474)
Total comprehensive income for the period	-	-	(1,474)	-	(19,324)	(20,798)
At 31 December 2023	<u>155,803</u>	<u>13,853</u>	<u>34,863</u>	<u>76,136</u>	<u>(348,985)</u>	<u>(68,330)</u>
At 1 July 2024	155,803	13,853	37,077	76,136	(379,247)	(96,378)
Loss for the period	-	-	-	-	(3,199)	(3,199)
Exchange differences on translation of foreign operations	-	-	871	-	-	871
Total comprehensive income for the period	-	-	871	-	(3,199)	(2,328)
At 31 December 2024	<u>155,803</u>	<u>13,853</u>	<u>37,948</u>	<u>76,136</u>	<u>(382,446)</u>	<u>(98,706)</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

UNAUDITED STATEMENTS OF CASH FLOWS

For the three years ended 30 June 2022, 2023 and 2024 and the six months ended 31 December 2023 and 2024

	Year ended 30 June			Six months ended 31 December	
	2022	2023	2024	2023	2024
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Cash flows from operating activities					
Profit/(loss) before taxation	13,269	1,199	(62,498)	(24,162)	(4,395)
Adjustments for:					
Interest income	(10,499)	(13)	(1)	–	–
Finance costs	4,745	8,961	9,282	3,932	4,398
Depreciation of property, plant and equipment	262	73	57	30	25
Change in fair value of investment properties	(7,326)	(16,779)	51,650	19,351	4,784
Reversal of expected credit loss recognised	(3,135)	(21)	(10)	(10)	(3)
Loss on disposal of property, plant and equipment	805	–	–	–	–
	<u>805</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Operating loss before working capital changes	(1,879)	(6,580)	(1,520)	(859)	4,809
(Increase)/decrease in debtors, other receivables and prepayments	(926)	(120)	210	309	(2,601)
Increase/(decrease) in other payables and accrued charges	20,726	4,581	(24,403)	(22,804)	4,292
	<u>20,726</u>	<u>4,581</u>	<u>(24,403)</u>	<u>(22,804)</u>	<u>4,292</u>
Cash generated from/(used in) operations	17,921	(2,119)	(25,713)	(23,354)	6,500
Interest paid for other payables	–	–	(1,632)	–	(909)
	<u>–</u>	<u>–</u>	<u>(1,632)</u>	<u>–</u>	<u>(909)</u>
Net cash generated from/(used in) operating activities	<u>17,921</u>	<u>(2,119)</u>	<u>(27,345)</u>	<u>(23,354)</u>	<u>5,591</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

	Year ended 30 June			Six months ended 31 December	
	2022	2023	2024	2023	2024
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (unaudited)
Investing activities					
Interest received	10,499	13	1	–	–
Expenditure on investment properties	(129,542)	(11,807)	(6,753)	(3,849)	–
Proceeds from disposal of property, plant and equipment	6	–	–	–	–
Net cash used in investing activities	<u>(119,037)</u>	<u>(11,794)</u>	<u>(6,752)</u>	<u>(3,849)</u>	<u>–</u>
Financing activities					
Interest paid on borrowings	(4,745)	(8,961)	(7,650)	(3,932)	(3,489)
New bank loans raised	154,776	–	–	–	–
Repayment of bank loans	–	(11,266)	(10,842)	(5,412)	(5,427)
Advance from the Remaining Group	75,155	41,842	28,472	8,823	12,655
Repayment to the Remaining Group	(94,683)	(17,170)	(14,874)	(11,454)	(11,734)
Net cash generated from/(used in) financing activities	<u>130,503</u>	<u>4,445</u>	<u>(4,894)</u>	<u>(11,975)</u>	<u>(7,995)</u>
Net increase/(decrease) in cash and cash equivalents	29,387	(9,468)	(38,991)	(39,178)	(2,404)
Cash and cash equivalents at beginning of the year/period	26,709	54,566	41,316	41,316	2,463
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(1,530)</u>	<u>(3,782)</u>	<u>138</u>	<u>140</u>	<u>24</u>
Cash and cash equivalents at end of the year/period	<u>54,566</u>	<u>41,316</u>	<u>2,463</u>	<u>2,278</u>	<u>83</u>
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	<u>54,566</u>	<u>41,316</u>	<u>2,463</u>	<u>2,278</u>	<u>83</u>

NOTES TO THE UNAUDITED FINANCIAL INFORMATION

For the years ended 30 June 2022, 2023 and 2024 and the six months ended 31 December 2023 and 2024

1. GENERAL INFORMATION

On 20 November 2024, Modern China Enterprises Limited, being a wholly-owned subsidiary of the Company (the “**Vendor**”) and Dongguan Yinhua Industrial Investment Co., Ltd. (the “**Purchaser**”) entered into an equity transfer agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the 100% equity interest of the Target Company for a consideration of RMB70,000,000 (equivalent to HK\$77,000,000) in cash (the “**Disposal**”). Upon the completion of the Disposal, the Company will not have any interests in the Target Company and the Target Company will cease to be a subsidiary of the Company.

The Target Company is an indirect wholly-owned subsidiary of the Company and is a company incorporated in the People’s Republic of China (the “**PRC**”). The address of its registered office is located at Room 102, 691 Huanchang North Road, Changping Town, Dongguan City, Guangdong Province, PRC. The Target Company is principally engaged in the trading of copper products and property holding.

2. BASIS OF PREPARATION

The Financial Information of the Target Company for the Relevant Periods has been prepared in accordance with Rule 14.68(2)(a)(i) of the Listing Rules and solely for the purpose of inclusion in this circular to be issued by the Company in connection with the Disposal.

The Financial Information of the Target Company has been prepared by the Directors in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the Relevant Periods. The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The Financial Information of the Target Company has been prepared under the historical cost basis except for investment properties which are measured at fair values.

The Financial Information of the Target Company is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to nearest thousand (HK\$’000) except when otherwise indicated. The Financial Information of the Target Company is presented in HK\$ which is different from the functional currency of the Target Company, Renminbi (“**RMB**”), as the directors of the Company consider that HK\$ is the appropriate presentation currency in view of the place of listing of the Company.

The Financial Information of the Target Company does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 “**Presentation of Financial Statements**” or a completed condensed interim financial report as defined in Hong Kong Accounting Standard 34 “**Interim Financial Reporting**”, issued by the HKICPA and should be read in connection with the relevant published annual report of the Company for the Relevant Periods.

Materiality uncertainty related to going concern

The Financial Information of the Target Company has been prepared on the going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Target Company incurred a loss of HK\$3,199,000 for the six months ended 31 December 2024; and as at that date the Target Company had net current liabilities and net liabilities of HK\$258,830,000 and HK\$98,706,000, respectively; and the Target Company had amounts due to the Remaining Group of HK\$176,627,000 and borrowings of HK\$109,692,000 out of which HK\$11,715,000 is repayable within the next twelve months after 31 December 2024 while the Target Company’s bank balances and cash amounted to HK\$83,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Target Company’s ability to continue as a going concern and therefore, that the Target Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET COMPANY

The Directors, taking into account the following factors, are of the opinion that the Target Company will have sufficient working capital for its present operating requirements and for at least the next twelve months commencing from the date of issue of this circular. Accordingly, the Directors are satisfied that it is appropriate to prepare the Financial Information of the Target Company on a going concern basis.

The Directors are confident that the Target Company will be able to obtain the ongoing support from the Purchaser upon the completion of the Disposal. The Directors consider that the Purchaser and its parent are financially capable and will provide adequate funds that enable the Target Company to meet in full its financial obligations (taking into consideration the waiver of the amounts due to the Remaining Group upon completion of the Disposal) as and when they fall due for a post Disposal period up to end of twelve months after the date of issue of this circular.

However, if the Disposal is not completed, the Directors believe that the Target Company will continue to obtain the ongoing support from the Group. The Group has agreed to provide adequate financial support to the Target Company and not to demand repayment from the Target Company of the debts owed to the Remaining Group for a period not less than twelve months after the date of issue of this circular.

Notwithstanding the above, there are inherent uncertainties associated with the future outcome of the plans and measures taken account of by the Directors that depends upon (i) the Purchaser and its parent will provide adequate funds that enable the Target Company to meet its financial obligations as and when they fall due for a post Disposal period up to the end of twelve months after the date of the issue of this circular; and (ii) in the event that the Disposal is not completed, the Group is financially viable to provide adequate funds to enable the Target Company to meet in full its financial obligations as and when they fall due for a period of not less than twelve months after the date of issue of this circular.

Should the Target Company be unable to continue in business as a going concern, adjustments would have to be made in the Financial Information of the Target Company to write down the values of assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this Financial Information of the Target Company.

The following is an illustrative unaudited pro forma financial information of Solartech International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) upon completion of disposal of the entire equity interest in the Target Company (the “**Remaining Group**”), comprising the unaudited pro forma consolidated statement of financial position as at 30 June 2024, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 30 June 2024 and related notes (the “**Unaudited Pro Forma Financial Information**”).

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2024 as extracted from the published annual report for the year ended 30 June 2024 (the “**2024 Annual Report**”) dated 27 September 2024, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the financial position of the Remaining Group as if the Disposal had been completed on 30 June 2024.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 30 June 2024 as extracted from the 2024 Annual Report, after giving effect to the pro forma adjustments as explained in the notes below, for the purpose of illustrating the effect of the Disposal on the financial performance and cash flows, respectively, of the Remaining Group as if the Disposal had been completed on 1 July 2023.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the “**Directors**”) in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 “**Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars**” issued by the HKICPA, for the purpose of illustrating the effect of the Disposal only and because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Disposal been completed as at the specified dates or any future date.

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024 OF THE REMAINING GROUP**

	The Group				The
	as at				Remaining
	30 June				Group as at
	2024				30 June
	Pro forma adjustments			2024	
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 2(a)</i>	<i>Note 2(b)</i>	<i>Note 2(c)</i>	
Non-current assets					
Property, plant and equipment	15,594	(255)	–	–	15,339
Investment properties	586,369	(296,058)	–	–	290,311
Right-of-use assets	6,965	–	–	–	6,965
Intangible asset	395,849	–	–	–	395,849
Interest in associates	745	–	–	–	745
Interest in joint ventures	3,106	–	–	–	3,106
	<u>1,008,628</u>	<u>(296,313)</u>	<u>–</u>	<u>–</u>	<u>712,315</u>
Current assets					
Inventories	25,342	–	–	–	25,342
Debtors, other loans and receivables, deposits and prepayments	227,017	(7,955)	–	42,960	262,022
Bills receivable	2	–	–	–	2
Financial assets at fair value through profit or loss	3,800	–	–	–	3,800
Bank balances and cash	102,526	(2,463)	–	31,180	131,243
	<u>358,687</u>	<u>(10,418)</u>	<u>–</u>	<u>74,140</u>	<u>424,409</u>
Current liabilities					
Creditors, other advances and accrued charges	247,108	(79,910)	–	–	167,198
Borrowings	156,604	(11,277)	–	–	145,327
Lease liabilities	1,110	–	–	–	1,110
Amounts due to the Remaining Group	–	(177,231)	177,231	–	–
	<u>404,822</u>	<u>(268,418)</u>	<u>177,231</u>	<u>–</u>	<u>313,635</u>
Total current liabilities	<u>404,822</u>	<u>(268,418)</u>	<u>177,231</u>	<u>–</u>	<u>313,635</u>

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP

	The Group				The
	as at 30 June 2024	Pro forma adjustments			Remaining Group as at 30 June 2024
	(Audited) HK\$'000 Note 1	(Unaudited) HK\$'000 Note 2(a)	(Unaudited) HK\$'000 Note 2(b)	(Unaudited) HK\$'000 Note 2(c)	(Unaudited) HK\$'000
Net current (liabilities)/assets	<u>(46,135)</u>	<u>258,000</u>	<u>(177,231)</u>	<u>74,140</u>	<u>108,774</u>
Total assets less current liabilities	<u>962,493</u>	<u>(38,313)</u>	<u>(177,231)</u>	<u>74,140</u>	<u>821,089</u>
Non-current liabilities					
Lease liabilities	687	–	–	–	687
Other payables and advances	4,288	(1,407)	–	–	2,881
Borrowings	105,830	(104,715)	–	–	1,115
Deferred tax liabilities	<u>52,962</u>	<u>(28,569)</u>	<u>–</u>	<u>–</u>	<u>24,393</u>
Total non-current liabilities	<u>163,767</u>	<u>(134,691)</u>	<u>–</u>	<u>–</u>	<u>29,076</u>
Total net assets	<u>798,726</u>	<u>96,378</u>	<u>(177,231)</u>	<u>74,140</u>	<u>792,013</u>
EQUITY					
Capital and reserves					
Share capital	23,745	–	–	–	23,745
Reserves	<u>776,744</u>	<u>96,378</u>	<u>(177,231)</u>	<u>74,140</u>	<u>770,031</u>
Equity attributable to owners of the Company	<u>800,489</u>	<u>96,378</u>	<u>(177,231)</u>	<u>74,140</u>	<u>793,776</u>
Non-controlling interests	<u>(1,763)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,763)</u>
Total equity	<u>798,726</u>	<u>96,378</u>	<u>(177,231)</u>	<u>74,140</u>	<u>792,013</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024 OF THE
REMAINING GROUP**

	The Group			The
	for the year			Remaining
	ended	Pro forma adjustments		Group for
	30 June	(Unaudited)	(Unaudited)	the year
	2024	(Unaudited)	(Unaudited)	ended
	(Audited)	(Unaudited)	(Unaudited)	30 June
	HK\$'000	HK\$'000	HK\$'000	2024
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(c)</i>	(Unaudited)
				HK\$'000
Revenue	795,700	(51,453)	–	744,247
Cost of sales	(728,476)	51,543	–	(676,933)
Gross profit	67,224	90	–	67,314
Interest income	10,909	(1)	–	10,908
Other income and other gains/(losses), net	10,862	–	–	10,862
General and administrative expenses	(84,109)	1,487	(1,040)	(83,662)
Selling and distribution expenses	(7,912)	–	–	(7,912)
Finance costs	(19,653)	9,282	–	(10,371)
Change in fair value of derivative financial instruments, net	148	–	–	148
Change in fair value of investment properties, net	(86,834)	51,650	–	(35,184)
Change in fair value of financial assets at fair value through profit or loss, net	(2,077)	–	–	(2,077)
Expected credit loss recognised, net	(2,317)	(10)	–	(2,327)
Reversal of impairment loss on intangible asset	1,087	–	–	1,087
Loss on disposal of a subsidiary	–	–	(5,198)	(5,198)
Share of results of associates	574	–	–	574
Share of results of joint ventures	1,142	–	–	1,142
Loss before taxation	(110,956)	62,498	(6,238)	(54,696)
Income tax credit	21,709	(12,912)	–	8,797
Loss for the year	<u>(89,247)</u>	<u>49,586</u>	<u>(6,238)</u>	<u>(45,899)</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	The Group for the year ended 30 June 2024	Pro forma adjustments		The Remaining Group for the year ended 30 June 2024
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(c)</i>	
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	(693)	(740)	–	(1,433)
Reclassification adjustment on exchange difference for disposal of associates during the year	287	–	–	287
Reclassification adjustment on exchange difference for foreign operation disposed of during the year	–	–	(36,337)	(36,337)
Share of other comprehensive income of associates	(17)	–	–	(17)
Share of other comprehensive income of joint ventures	8	–	–	8
Other comprehensive income for the year	<u>(415)</u>	<u>(740)</u>	<u>(36,337)</u>	<u>(37,492)</u>
Total comprehensive income for the year	<u>(89,662)</u>	<u>48,846</u>	<u>(42,575)</u>	<u>(83,391)</u>
Loss attributable to:				
Owners of the Company	(88,516)	49,586	(6,238)	(45,168)
Non-controlling interests	(731)	–	–	(731)
	<u>(89,247)</u>	<u>49,586</u>	<u>(6,238)</u>	<u>(45,899)</u>
Total comprehensive income attributable to:				
Owners of the Company	(88,948)	48,846	(42,575)	(82,677)
Non-controlling interests	(714)	–	–	(714)
	<u>(89,662)</u>	<u>48,846</u>	<u>(42,575)</u>	<u>(83,391)</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
YEAR ENDED 30 JUNE 2024 OF THE REMAINING GROUP**

	The Group for the year ended 30 June 2024	Pro forma adjustments				The Remaining Group for the year ended 30 June 2024
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>		
Cash flows from operating activities						
Loss before taxation	(110,956)	62,498	–	(6,238)	(54,696)	
Adjustments for:						
Interest income	(10,909)	1	–	–	(10,908)	
Finance costs	19,653	(9,282)	–	–	10,371	
Depreciation of property, plant and equipment	3,695	(57)	–	–	3,638	
Depreciation of right-of-use assets	1,357	–	–	–	1,357	
Change in fair value of derivative financial instruments, net	(148)	–	–	–	(148)	
Change in fair value of investment properties, net	86,834	(51,650)	–	–	35,184	
Change in fair value of financial assets at fair value through profit or loss, net	2,077	–	–	–	2,077	
Expected credit loss recognised, net	2,317	10	–	–	2,327	
Reversal of impairment loss on intangible asset	(1,087)	–	–	–	(1,087)	
Reversal of write-down of inventories	(349)	–	–	–	(349)	
Write back of other payables	(7,498)	–	–	–	(7,498)	
Loss on disposal of a subsidiary	–	–	–	5,198	5,198	
Gain on disposal of property, plant and equipment	(2,113)	–	–	–	(2,113)	

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	The Group				The
	for the year				Remaining
	ended				Group for
	30 June				the year
	2024			ended	
	Pro forma adjustments				30 June
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	
Gain on disposal of right-of-use assets	(2,100)	–	–	–	(2,100)
Loss on disposal of associates	1,235	–	–	–	1,235
Share of results of associates	(574)	–	–	–	(574)
Share of results of joint ventures	(1,142)	–	–	–	(1,142)
Equity-settled share-based payment expenses	233	–	–	–	233
Operating loss before working capital changes	(19,475)	1,520	–	(1,040)	(18,995)
Increase in inventories	(1,175)	–	–	–	(1,175)
Increase in debtors, other receivables, deposits and prepayments	(24,612)	(210)	–	–	(24,822)
Decrease in bills receivable	1,465	–	–	–	1,465
Increase in creditors, other advances and accrued charges	39,989	24,403	–	–	64,392
Cash (used in)/generated from operations	(3,808)	25,713	–	(1,040)	20,865
Interest paid for trade and other payables	(3,265)	1,632	–	–	(1,633)
Net cash (used in)/generated from operating activities	(7,073)	27,345	–	(1,040)	19,232

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	The Group for the year ended 30 June 2024	Pro forma adjustments			The Remaining Group for the year ended 30 June 2024
	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>	
Investing activities					
Interest received	10,909	(1)	–	–	10,908
Repayment of loan receivables	219,608	–	–	–	219,608
Loan receivables advanced	(190,144)	–	–	–	(190,144)
Expenditure on investment properties	(6,753)	6,753	–	–	–
Purchases of property, plant and equipment	(1,723)	–	–	–	(1,723)
Proceeds from disposal of a subsidiary, net of cash disposed of	–	–	–	34,284	34,284
Proceeds from disposal of property, plant and equipment	2,179	–	–	–	2,179
Proceeds from disposal of right-of-use assets	2,166	–	–	–	2,166
Proceeds from disposal of associates	1,621	–	–	–	1,621
Proceeds from disposal of financial assets at fair value through profit or loss	53	–	–	–	53
Net cash generated from investing activities	<u>37,916</u>	<u>6,752</u>	<u>–</u>	<u>34,284</u>	<u>78,952</u>

APPENDIX III
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP**

	Pro forma adjustments				The Remaining Group for the year ended 30 June 2024
The Group for the year ended 30 June 2024	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note 1</i>	<i>Note 3(a)</i>	<i>Note 3(b)</i>	<i>Note 3(c)</i>		
Financing activities					
Interest paid on borrowings	(15,818)	7,650	–	–	(8,168)
Repayment of interest portion of the lease liabilities	(171)	–	–	–	(171)
Repayment of principal portion of the lease liabilities	(1,263)	–	–	–	(1,263)
New bank and other loans raised	218,922	–	–	–	218,922
Repayment of bank and other loans	(215,945)	10,842	–	–	(205,103)
Advance from the Remaining Group	–	(28,472)	28,472	–	–
Repayment to the Remaining Group	–	14,874	(14,874)	–	–
Net cash (used in)/generated from financing activities	<u>(14,275)</u>	<u>(4,894)</u>	<u>13,598</u>	<u>–</u>	<u>4,217</u>
Net increase in cash and cash equivalents	16,568	38,991	13,598	33,244	102,401
Cash and cash equivalents at beginning of the year	85,665	(41,316)	–	41,316	85,665
Effect of foreign exchange rate changes on cash and cash equivalents	<u>293</u>	<u>(138)</u>	<u>–</u>	<u>–</u>	<u>155</u>
Cash and cash equivalents at end of the year	<u><u>102,526</u></u>	<u><u>(2,463)</u></u>	<u><u>13,598</u></u>	<u><u>74,560</u></u>	<u><u>188,221</u></u>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP

1. The amounts are extracted from the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 30 June 2024 as set out in the published annual report of the Company for the year ended 30 June 2024.
2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal had been completed on 30 June 2024:
 - (a) The adjustment represents the exclusion of assets and liabilities of the Target Company to be disposed of as at 30 June 2024. The balances are extracted from the unaudited statement of financial position of the Target Company as at 30 June 2024 as set out in Appendix II to this circular.
 - (b) The adjustment represents the exclusion of the amounts due to the Remaining Group of approximately HK\$177,231,000 which will be waived prior to the completion of the Disposal. The balance is extracted from the unaudited statement of financial position of the Target Company as at 30 June 2024 as set out in Appendix II to this circular.
 - (c) The adjustment represents the recognition of the net proceeds from the Disposal and the effects on reserves, assuming the Disposal had been completed on 30 June 2024 and is calculated as follows:

Translation of RMB into HK\$ is based on the exchange rate of RMB1 = HK\$1.074 as at 30 June 2024.

	<i>Notes</i>	<i>HK\$'000</i>
Consideration for the Disposal	2(c)(i)	75,180
Less:		
Estimated transaction costs attributable to the Disposal	2(c)(ii)	<u>(1,040)</u>
Net proceeds as if the Disposal had been completed on 30 June 2024		<u><u>74,140</u></u>

- (i) The amount represents the cash consideration of RMB70,000,000 (equivalent to HK\$75,180,000) for the Disposal which comprises RMB30,000,000 (equivalent to HK\$32,220,000), as prepayment, shall be received within seven working days after the signing of the equity transfer agreement; and RMB40,000,000 (equivalent to HK\$42,960,000), as the balance of the consideration, shall be received within seven working days from the date of completion of the Disposal.
- (ii) The adjustment represents the estimated transaction costs including professional fees of legal adviser, valuers, the reporting accountants of the Company and other miscellaneous cost attributable to the Disposal and is assumed to be settled in cash upon the completion of the Disposal.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, assuming the Disposal had been completed on 1 July 2023:

- (a) The adjustment represents the exclusion of income and expenses of the Target Company for the year ended 30 June 2024 as if the Target Company is disposed of as at 1 July 2023. The amounts are extracted from the unaudited statement of profit or loss and other comprehensive income and unaudited statement of cash flows of the Target Company for the year ended 30 June 2024 as set out in Appendix II to this circular.
- (b) The adjustment represent the reinstatement of intra-group transactions between the Remaining Group and the Target Company, which were eliminated when preparing the consolidated financial statements of the Group for the year ended 30 June 2024.
- (c) The adjustment represents the recognition of the estimated net loss in profit or loss and net cash inflows arising from the Disposal, assuming the Disposal had been completed on 1 July 2023 and are calculated as follows:

Translation of RMB into HK\$ is based on the exchange rate of RMB1 = HK\$1.08 as at 1 July 2023.

	<i>Notes</i>	<i>HK\$'000</i>
Consideration for the Disposal	3(c)(i)	75,600
Less:		
Net assets of the Target Company as at 1 July 2023	3(c)(ii)	(117,135)
Release of exchange reserve upon disposal of the Target Company	3(c)(iii)	<u>36,337</u>
Estimated pro forma loss on Disposal as if the Disposal had been completed on 1 July 2023		(5,198)
Less:		
Estimated transaction costs attributable to the Disposal	2(c)(ii)	<u>(1,040)</u>
Net effect on the loss for the year and loss attributable to owners of the Company		<u><u>(6,238)</u></u>
Consideration for the Disposal	3(c)(i)	75,600
Less:		
Cash and cash equivalents held by the Target Company at 1 July 2023		<u>(41,316)</u>
		34,284
Less:		
Estimated transaction costs attributable to the Disposal	2(c)(ii)	<u>(1,040)</u>
Net cash inflows from the Disposal		<u><u>33,244</u></u>

- (i) The amount represents the cash consideration of RMB70,000,000 (equivalent to HK\$75,600,000) for the Disposal which comprises RMB30,000,000 (equivalent to HK\$32,400,000), as prepayment, shall be received within seven working days after the signing of the equity transfer agreement; and RMB40,000,000 (equivalent to HK\$43,200,000), as the balance of the consideration, shall be received within seven working days from the date of completion of the Disposal.

- (ii) The amount of net assets of the Target Company is based on the net liabilities extracted from the unaudited statements of financial position of the Target Company as at 1 July 2023 of approximately HK\$47,532,000 after excluding the amounts due to the Remaining Group which will be waived prior to the completion of the Disposal of approximately HK\$164,667,000 as set out in Appendix II to this circular.

	<i>HK\$'000</i>
Net liabilities extracted from the unaudited statement of financial position of the Target Company as at 1 July 2023	(47,532)
Waiver of due to the Remaining Group as at 1 July 2023	<u>164,667</u>
Net assets of the Target Company as at 1 July 2023	<u><u>117,135</u></u>

- (iii) The amount represents the accumulated exchange reserve of the Target Company attributable to the Group as at 1 July 2023, which is extracted from the Appendix II to this circular.
4. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group and the unaudited pro forma consolidated statement of cash flow of the Remaining Group.
5. No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to 1 July 2023 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows and those entered into subsequent to 30 June 2024 for the unaudited pro forma consolidated statement of financial position.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Solartech International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Solartech International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only.

The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2024 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 30 June 2024, and related notes as set out on pages App III-2 to App III-12 of Appendix III of the Company’s circular dated 24 January 2025 (the “**Circular**”) in connection with the disposal of 100% equity interest of Dongguan Hua Yi Brass Products Co., Ltd. (the “**Target Company**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages App III-10 to App III-12 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the disposal of 100% equity interest of the Target Company (the “**Disposal**”) on the Group’s consolidated financial position as at 30 June 2024 as if the Disposal had taken place on 30 June 2024, and the Group’s consolidated financial performance and consolidated cash flows for the year ended 30 June 2024 as if the Disposal had taken place on 1 July 2023, respectively. As part of this process, information about the Group’s consolidated financial position, consolidated financial performance and consolidated cash flows have been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report for the year ended 30 June 2024, on which an auditor’s report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2024 or 1 July 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited*Certified Public Accountants*

Hong Kong, 24 January 2025

The following is the text of the valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent valuer, in connection with its opinion of market value of 100% equity interest of the Target Company as at 31 December 2024.

24 January 2025

The Board of Directors
Solartech International Holdings Limited
Unit 16, 12th Floor, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

Re : Valuation of 100% equity interest of 東莞華藝銅業有限公司

In accordance with your instruction, we have conducted a valuation of the market value of 100% equity interest of 東莞華藝銅業有限公司 (Dongguan Hua Yi Brass Products Co., Ltd., the “**Business Enterprise**”). It is our understanding that the Business Enterprise is an investment holding company holding an industrial complex (the “**Investment Property**”) located in Dongguan City, Guangdong Province, the People’s Republic of China (the “**PRC**”). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business Enterprise as at 31 December 2024 (the “**Valuation Date**”).

This report states the purpose of valuation and basis of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of the directors and management (together, the “**Management**”) of Solartech International Holdings Limited (the “**Company**”) for internal reference and incorporation into the circular of the Company in connection with proposed disposal of the Business Enterprise. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. As advised, the Company intends to dispose 100% equity interest of the Business Enterprise.

Peak Vision Appraisals Limited (“**Peak Vision Appraisals**”) acknowledges that this report may be used by the Management as one of the sources of information for the proposed disposal of the Business Enterprise and may also be made available to the auditors of the Company for auditing reference only. The proposed disposal, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be solely responsible for determining the consideration of the proposed disposal, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (the “**HKIS**”), the RICS Valuation – Global Standards (Effective from 31 January 2022) published by the Royal Institution of Chartered Surveyors (the “**RICS**”) and the International Valuation Standards (Effective 31 January 2022) published by the International Valuation Standards Council, where applicable.

Our valuation of the 100% equity interest of the Business Enterprise is based on the going concern premise and conducted on market value basis. **Market Value** is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion”.

3.0 SOURCES OF INFORMATION

In the course of our valuation, we have performed site visit of the Investment Property and company visit of the Business Enterprise on 12 November 2024 and had discussion with the Company on the status and development of the Business Enterprise. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the Management. Other information is extracted from public sources such as government sources, etc.

The major documents and information include the following:

- Copies of certificate(s) or license(s) and other relevant information of the Business Enterprise as provided by the Management;
- Historical financial information such as income statements and balance sheets of the Business Enterprise as provided by the Management;
- Operational information of the Business Enterprise as discussed with the Management; and

- Industry and economic data.

We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of the market value.

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

This report is based upon business, financial and other information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the financial or other information of the Business Enterprise. It is understood that the financial information provided is prepared in accordance with generally accepted accounting principles and has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Business Enterprise as at the respective financial statement dates.

5.0 BUSINESS REGISTRATION DETAILS

東莞華藝銅業有限公司 (the Business Enterprise) is a limited liability company incorporated in the PRC on 28 December 1995. The following table summarizes the business registration details of the Business Enterprise, according to National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

Unified social credit code	:	914419006179936982
Name	:	東莞華藝銅業有限公司 (Dongguan Hua Yi Brass Products Co., Ltd., the Business Enterprise)
Incorporation type	:	Limited liability company (Hong Kong, Macau or Taiwan legal person sole proprietorship) (有限責任公司(港澳台法人獨資))
Registered address	:	Room 102, No. 691 Huanchang North Road, Changping Town, Dongguan City, Guangdong Province, the PRC (中華人民共和國廣東省東莞市常平鎮環常北路691號102室)

Incorporation date	: 28 December 1995
Confined business scope	: General business activities: manufacture and sale of metal wires/ropes and their products; manufacture and sale of mechanical and electrical equipment; wholesale and retail of hardware products; manufacture of hardware products; rolling processing of non-ferrous metals; non-metallic mineral products manufacturing; sale of non-metallic minerals and products; manufacture of petroleum products (excluding hazardous chemicals); sale of petroleum products (excluding hazardous chemicals); housing leasing; non-residential real estate leasing; import and export of goods; import and export of technology; production of chemical products (excluding licensed chemical products); sale of chemical products (excluding licensed chemical products); domestic trade agency; sale of building decoration materials; sale of building materials; manufacture of lightweight building materials; sale of lightweight building materials; manufacture of new building materials (excluding hazardous chemicals); oil and gas technical services. (Except for activities that require approval according to law, business activities can be carried out independently with the business license and in accordance with the law)

Table 1: Business Registration Details of the Business Enterprise

Source: National Enterprise Credit Information Publicity System

6.0 BUSINESS OVERVIEW

The Business Enterprise is an investment holding company holding the Investment Property. As confirmed by the Management, the Business Enterprise does not have other business activities apart from holding the Investment Property. Details of the Investment Property are shown as follows:

General Description

The Investment Property is an industrial complex erected upon Land Lot No. 1924130100056 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC, known as Huayi Shangshang Industrial Park, with a registered site area of approximately 102,050.00 sq. m. It is located at the end of Beichong Nan 1st Street at the section between Beichong East Road and Changheng Road within Changping Town, Dongguan City.

As advised by the Group, phase I-A (the “**Ancillary Structures**”) of the Investment Property comprises 1 block of 1-storey ancillary workshop and 2 blocks of 1 to 2-storey ancillary warehouses, having a total gross floor area of approximately 3,446.34 sq. m. completed in about 2005, erected on a site with a site area of approximately 3,286.34 sq. m.

Phase I-B of the Investment Property comprises 5 blocks of 6-storey factory buildings and 1 block of 1-storey with 1-level basement equipment room with a total gross floor area of approximately 71,306.06 sq. m. (including basement area of 288 sq. m.) completed in about 2022, erected on a site with a site area of approximately 40,000.00 sq. m.

The remaining portion (the “**Remaining Site**”) of the Investment Property is a vacant site with a site area of approximately 58,763.66 sq. m. pending development.

The land use rights of the Investment Property have been granted for a term expiring on 17 March 2055 for industrial use.

As advised by the Management, as at the Valuation Date, the portion of the ancillary workshop of the Ancillary Structures of the Investment Property was subject to a tenancy from 17 December 2019 to 31 December 2024 at a monthly rental of RMB24,570. The remaining portion of the Ancillary Structures of the Investment Property was vacant.

Phase I-B of the Investment Property was subject to a tenancy for a term of 12 years from 1 August 2024 to 31 July 2036 (with rent free period from 1 August 2024 to 28 February 2025).

6.1 Historical Financial Performances and Positions of the Business Enterprise

Based on financial information provided by the Management, revenue (rental income) of the Business Enterprise for the 6 months ended 31 December 2024 was approximately RMB5,399,000 (equivalent to approximately HK\$5,860,000). The Business Enterprise recorded net loss of approximately RMB2,947,000 (equivalent to approximately HK\$3,198,000) during the corresponding period.

	6 months ended 31 December 2024 RMB'000
Revenue	5,399
Operating income/(expenses)	<u>(990)</u>
Operating profit/(loss)	4,409
Interest income/(expenses)	(4,053)
One-off income/(expenses)	(4,405)
Taxation	<u>1,102</u>
Net loss	<u><u>(2,947)</u></u>

* *Figures above are subject to rounding*

Table 2: Historical financial performances of the Business Enterprise

Source: Management

As at the Valuation Date, the Business Enterprise had a net liability position of approximately RMB92,685,000.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the property investment industry in the PRC, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information and other pertinent data concerning the Business Enterprise provided by the Management.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Business Enterprise;
- Historical information of the Business Enterprise;
- Financial performances and positions of the Business Enterprise;
- Regulations and rules of the property investment industry in the PRC;
- Economic and industry data affecting the property investment and other dependent industries;
- Market-derived investment return(s) of similar business; and
- Industry and economic data.

8.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the market value of the business subject, namely the Market Approach, the Asset Approach and the Income Approach. Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation. It is also common practice to employ a number of valuation methods under each approach. Therefore, no single business valuation approach or method is definitive.

8.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to sales and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity to arrive an indication of value.

8.2 Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the fund that has been made available to purchase the business assets needed.

This fund comes from investors who buy stocks of the business entity (equity) and investors who lend fund to the business entity (debt). After collecting the total amounts of fund from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle “assets minus liabilities”, to arrive at the value of the equity interest of the business entity.

8.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.0 VALUATION ANALYSIS

9.1 Valuation Approaches

In the process of valuing the business subject, we have considered the nature of the Business Enterprise, specialty of its operations and the industry it is participating. Having considered the three general valuation approaches, we consider the Asset Approach would be appropriate and reasonable in the valuation of the market value of the Business Enterprise.

In this valuation, the Income Approach is not suitable because (i) value of an investment holding company is more closely tied to the value of its underlying investment rather than its income generating capabilities. As such, the asset approach which sums the market value of its investment can provide a more accurate valuation; and (ii) income of an investment holding company is volatile, and preparing long-term forecasts for an investment holding company involves a high level of uncertainty in earnings estimates and underlying assumptions.

The market approach is not suitable as there are insufficient relevant comparable transactions or comparable companies with identical investment portfolio to form a reliable basis for our opinion of value.

9.2 Investment Property

We have performed a separate valuation for the Investment Property as at the Valuation Date. For details of the valuation of the Investment Property, please refer to our separate valuation report entitled “*Property interest of an industrial complex erected upon Land Lot No. 1924130100056 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the People’s Republic of China*” dated 24 January 2025. The valuation methodology, assumptions and the valuation result are summarized below:

9.2.1 Valuation Methodology

In valuing the phase 1-A of the Investment Property (the Ancillary Structures), we have attributed no commercial value to the property as proper title certificates for the property have not been obtained as at the Valuation Date.

In valuing the phase 1-B of the Investment Property, we have adopted the Investment Method by taking into account the current rent passing and the reversionary income potential of the phase 1-B of the Investment Property, or, wherever appropriate, the Direct Comparison Method assuming the property is capable of being sold in its existing state and by making reference to comparable sales evidence as available in the relevant market.

In valuing the remaining portion of the Investment Property, we have adopted the Direct Comparison Method assuming sale of the remaining portion of the Investment Property in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the remaining portion of the Investment Property and the comparable properties. Given that comparable sales transactions and information about such sales are generally available, we have therefore adopted Direct Comparison Method which is in line with the market practice.

9.2.2 Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the Investment Property on the open market in its existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the Investment Property. No forced sale situation in any manner is assumed in our valuation. In addition, we have been advised by the Management that the Investment Property is not subject to any option or right of pre-emption which would concern or affect the sale of the Investment Property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Investment Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Investment Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided by the Management with extract copies of documents in relation to the title to the Investment Property located in the PRC. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Management and the legal opinion prepared by Beijing Antong (DongGuan) Law Firm, the Company's legal adviser on the PRC law (the "**PRC Legal Adviser**"), regarding the title to the Investment Property.

9.2.3 Valuation Result

Based on the foregoing, we are of the opinion that the market value of the Investment Property in its existing state as at the Valuation Date was in the sum of **RMB272,300,000 (RENMINBI TWO HUNDRED AND SEVENTY TWO MILLION THREE HUNDRED THOUSAND ONLY)**.

9.3 Other Identified Assets and Liabilities

Other identified assets and liabilities of the Business Enterprise are described as follows:

- Cash and cash equivalents are highly liquid in the market and are subject to insignificant risk of changes in value and thus we have adopted the net book value in our valuation analysis;
- Prepayment, VAT and other receivables are short-term in nature and are expected to be realized in a short period of time. As such, we consider the discounting effect would be immaterial and thus adopted the net book value of these items in our valuation analysis;
- Borrowing refers to interest bearing bank loan of the Business Enterprise. Given that the loan is interest bearing, we consider the discounting effect would be immaterial and thus adopted the net book value of these amounts in our valuation analysis;
- Inter-company current accounts are repayment on demand and without fixed repayment terms. As confirmed by the Management, the inter-company current accounts will be waived by the respective inter-companies prior to the completion of the disposal, and given that the inter-company current accounts will be waived, we have excluded the inter-company current accounts in the adjusted net asset value of the Business Enterprise; and
- Accrual, tax payables, other payables, rental deposit and accrued rental, retention payables and deferred taxation are short-term in nature and are expected to be settled in a short period of time or without fixed term of repayment. As such, we consider the discounting effect would be immaterial and thus adopted the net book value of these items in our valuation analysis.

9.4 Valuation

Based on the investigation and analysis stated above and on the valuation method employed and key assumptions stated below, we are of the opinion that the market value of 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **RMB72,955,000 (RENMINBI SEVENTY TWO MILLION NINE HUNDRED AND FIFTY FIVE THOUSAND ONLY)**. A detailed breakdown of the assets and liabilities of the Business Enterprise is presented as follows:

	Book Value <i>(RMB'000)</i>	Market Value <i>(RMB'000)</i>
Investment Property	272,513	272,300
Cash and cash equivalents	78	78
Prepayment, VAT and other receivables	9,806	9,806
Borrowing	(103,000)	(103,000)
Inter-company current accounts	(165,853)	–
Accrual, tax payables, other payables, rental deposit and accrued rental, retention payables and deferred taxation	(106,229)	(106,229)
100% equity interest of the Business Enterprise	<u>(92,685)</u>	<u>72,955</u>

* *Figures above are subject to rounding*

10.0 SPECIAL ASSUMPTION

In the course of our valuation, given that all inter-company current accounts will be waived prior to the completion of the disposal, we have assumed that the inter-company current accounts were RMBNil as at the Valuation Date.

11.0 VALUATION ASSUMPTIONS

- For the Business Enterprise to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the Business Enterprise operates will not deviate significantly from the economic forecasts in general;
- The financial information of the Business Enterprise has been prepared in a manner which truly and accurately reflects the financial performances and positions of the Business Enterprise as at the respective financial statement dates;

- There will be no material changes in the business strategy of the Business Enterprise and its operating structure;
- Interest rates and exchange rates in the localities for the operations of the Business Enterprise will not differ materially from those presently prevailing;
- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Business Enterprise operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, technological, economic or financial conditions and taxation laws in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the Business Enterprise.

12.0 LIMITING CONDITIONS

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing as at the Valuation Date. Unless otherwise stated, subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for the accuracies.

We have relied to a considerable extent on the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that has not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We are of the view that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The

information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

We have not investigated the titles to or any legal liabilities against the Business Enterprise and the Investment Property and have assumed no responsibility for the titles to or any legal liabilities against the Business Enterprise and the Investment Property. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.

To the extent that there are legal issues relating to financial instruments, assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Management / engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets / business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

13.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

The Management has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

We hereby confirm that we have no material connection or involvement with the Investment Property, the Business Enterprise, the Company and its subsidiaries, associates, affiliates, or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

For the subject valuation, Peak Vision Appraisals does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the HKIS and / or the RICS, where applicable.

In accordance with the RICS Valuation – Global Standards (Effective from 31 January 2022), we are also required to draw your attention to the possibility that this valuation may be investigated by the RICS for compliance with such standards.

The proportion of total fees payable by the Company during the preceding year relative to the total fee income of Peak Vision Appraisals is minimal.

14.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed and key assumptions appended above, we are of the opinion that the market value of 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **RMB72,955,000 (RENMINBI SEVENTY TWO MILLION NINE HUNDRED AND FIFTY FIVE THOUSAND ONLY)***.

* In the course of our valuation, given that all inter-company current accounts will be waived prior to the completion of the disposal, we have assumed that the inter-company current accounts were RMBNil as at the Valuation Date.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung

*MRICS, MHKIS, R.P.S. (GP), RICS Registered Valuer, MCIREA
Director
Corporate Valuations*

Note:

Mr. Nick C. L. Kung is a member of the Royal Institution of Chartered Surveyors (the RICS) and member of the Hong Kong Institute of Surveyors (the HKIS), RICS Registered Valuer, Registered Professional Surveyor (General Practice) and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) and has more than 20 years of experience in the valuation of business assets and business entities in Hong Kong and overseas.

APPENDIX I INDUSTRY OVERVIEW

According to the article released by 917 找房, since the end of September, when the directive to “promote the stabilization of the real estate market” was announced, a series of optimized policies have been implemented, resulting in positive trends in the real estate market. From the market transaction situation in November, both new and second-hand homes continued to see transaction volumes break through the levels established in October.

In the new home sector, as the positive effects continue, the transaction area in November reached a new high for the year. According to date published by China Real Estate Information Corporation (“CRIC”), the overall transaction volume in 30 key cities in November was 15.34 million square meters, a slight increase of 3% month-on-month and a 20% year-on-year growth, with a 59% increase compared to the average monthly value in the third quarter. The cumulative year-on-year decline in the first eleven months narrowed to 26%.

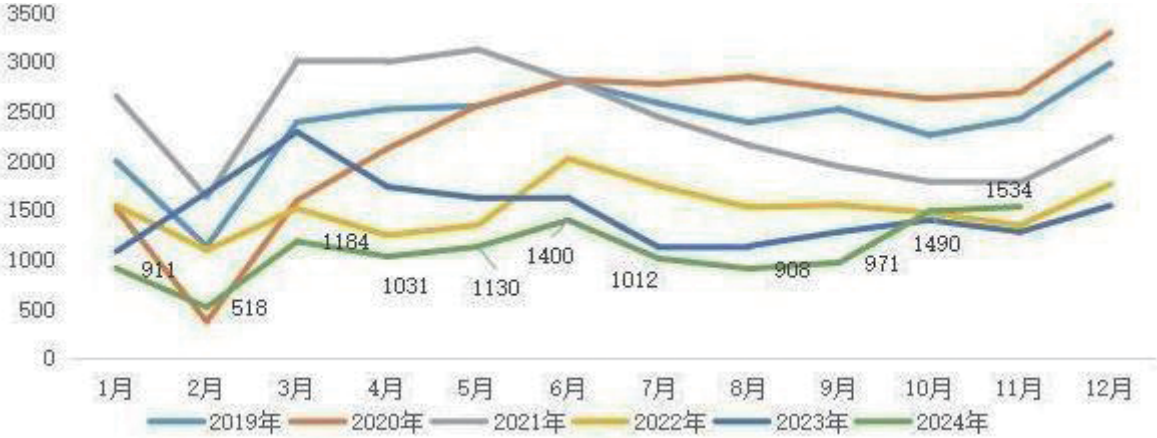


Figure 1: Comparison of Monthly Commercial Housing Sales In 30 Major Cities In China For The Past Six Years

Source: CRIC 中國房地產決策諮詢系統

Among these, first-tier cities directly benefited from the new policies, with continued growth in transactions in Shanghai and Shenzhen, both showing month-on-month increases. However, Beijing and Guangzhou exhibited slight weakness, with month-on-month declines. According to CRIC, the four first-tier cities saw a month-on-month growth of 9% and a year-on-year increase of 62%, with a 76% increase compared to the average in the third quarter, while the cumulative year-on-year decline was 14%. Notably, Shenzhen experienced a significant increase, with a month-on-month growth of up to 65%, and year-on-year growth doubling.

The CRIC pointed out that the month-on-month growth rates in Shanghai and Shenzhen in November showed a slowing trend compared to October, indicating a diminishing effect of the new policies. As the existing potential buyers continue to be released, the growth in transactions also shows signs of weakening.

层级	城市	11月	环比	同比	较三季度 月均	前11月	累计 同比	层级	城市	11月	环比	同比	较三季度 月均	前11月	累计 同比
一线	北京	50	-6%	19%	37%	418	-26%	二 三 线	济南	43	-9%	49%	40%	401	-33%
	上海	87	29%	46%	70%	629	-24%		长沙	38	-28%	1%	47%	338	-40%
	广州	86	-24%	45%	45%	694	-9%		合肥	35	35%	30%	127%	219	-46%
	深圳	89	65%	181%	192%	392	17%		昆明	32	-28%	35%	15%	299	-15%
	合计	312	9%	62%	76%	2132	-14%		长春	32	28%	-29%	17%	303	-30%
二 三 线	成都	155	32%	-4%	65%	1186	-22%		南宁	30	-22%	-7%	24%	263	-26%
	武汉	83	-9%	64%	72%	617	-37%		厦门	29	-14%	56%	207%	153	-15%
	西安	76	19%	-28%	34%	695	-17%		宁波	26	-25%	70%	108%	215	-23%
	杭州	73	3%	-18%	69%	621	-36%		珠海	25	64%	3%	78%	170	-24%
	天津	70	-30%	1%	24%	730	-21%		徐州	21	-1%	65%	82%	143	-25%
	青岛	68	29%	24%	5%	718	-27%		常州	18	-9%	13%	41%	157	-26%
	郑州	60	32%	64%	145%	356	-32%		无锡	18	6%	4%	36%	163	-32%
	南京	58	56%	40%	78%	345	-33%		福州	13	-14%	61%	48%	101	-18%
	苏州	57	23%	37%	104%	367	-31%		嘉兴	12	0%	185%	83%	75	-22%
	佛山	53	-33%	29%	40%	477	-19%		合计	1223	2%	12%	55%	9956	-20%
	重庆	52	-13%	62%	78%	486	-18%	总计	1534	3%	20%	59%	12089	-26%	
惠州	45	14%	-19%	46%	358	-37%									

Table 3: Commercial Housing Transaction Area In 30 Major Cities in China in November 2024

Source: CRIC 中國房地產決策諮詢系統

Additionally, transactions in second- and third-tier cities continued to fluctuate at low levels, with cumulative year-on-year declines significantly higher than in first-tier cities. Cities such as Nanjing, Suzhou, Hefei, Qingdao, and Zhengzhou showed a rebound in transactions in November due to the central government's new policies, which boosted market confidence and led to the release of suitable properties. However, cities like Wuhan, Tianjin, Chongqing, Changsha, Kunming, Ningbo, Fuzhou, Xiamen, Jinan, Changzhou, Xuzhou, and Foshan experienced continued month-on-month declines, although year-on-year comparisons have turned positive, showing better performance than the same period last year. Overall, the market shows initial signs of stabilizing after the downturn. In some cities, such as Nanning, the downward trend has continued, with overall transactions remaining at low levels.

In the second-hand home market, performance continued to warm up. According to CRIC, the estimated transaction area for second-hand homes in 18 key cities in November was 11.99 million square meters, a month-on-month increase of 16% and a year-on-year increase of 33%. For the first eleven months, the cumulative transaction area is estimated to be 100.2 million square meters, a year-on-year increase of 5%.

层级	城市	2024年11月	环比	同比	前11月	累计同比
一线	北京	167	10%	47%	1379	7%
	上海	204	11%	76%	1604	18%
	广州	106	10%	12%	913	-4%
	深圳	70	18%	122%	455	62%
	合计	547	11%	54%	4351	12%
二线	成都	256	36%	37%	1936	0%
	杭州	101	14%	23%	777	22%
	青岛	62	-2%	47%	605	13%
	苏州	52	11%	-13%	571	-10%
	大连	25	6%	1%	274	34%
	厦门	24	24%	36%	185	-6%
	合计	520	21%	26%	4348	5%
三四线	佛山	60	16%	-3%	582	-12%
	东莞	29	14%	26%	248	-15%
	扬州	25	33%	6%	272	-11%
	汉中	6	-10%	-17%	72	-13%
	渭南	4	28%	27%	35	19%
	资阳	3	-6%	-6%	43	-5%
	舟山	3	47%	-58%	52	-29%
	宝鸡	1	-16%	-7%	16	-33%
合计	132	17%	0%	1321	-13%	
总计		1199	16%	33%	10020	5%

Table 4: Second-hand Housing Transaction Volume In 18 Major Cities In China In November 2024

Source: CRIC 中國房地產決策諮詢系統

From a month-on-month perspective, under the stimulus of a series of policies, all but four cities (Qingdao, Hanzhong, Ziyang, and Baoji) continued to see growth in second-hand home transactions. Year-on-year, key cities generally saw more increases than decreases, with transaction volumes in core cities like Beijing, Shanghai, and Shenzhen significantly higher than in the same period last year. Particularly in Shenzhen, transactions doubled year-on-year, while Beijing and Shanghai saw increases of around 50%. However, cities like Suzhou, Hanzhong, and Zhoushan still performed significantly weaker than in the same period last year.

In fact, considering the absorption cycle, the current supply-demand relationship in the market has improved, with the number of second-hand homes listed for sale continuing to decline and the absorption cycle shortening. A recent report from Linping Residential Big Data Research Institute indicated that the absorption cycle for second-hand homes in key cities in November was 17.2 months, a month-on-month decrease of 12% and a year-on-year decrease of 33.3%. As of November, the absorption cycle has shortened for six consecutive months, showing a significant decline from the nearly 27-month high at the beginning of the year.

Additionally, it is noteworthy that the confidence of homeowners in raising prices has also increased. According to Linping Residential Big Data Research Institute, in November, the proportion of price-increased listings among the 14 key cities was 12.4%, up 2.9 percentage points from the previous month and up 6.6 percentage points year-on-year. The proportion of price-increased listings in these cities continues to rise, reaching a new high in nearly 18 months.



Figure 2: Price Increase/Decrease Volume And Price Adjustment Housing Supply In Major Cities

Source: CRIC 中國房地產決策諮詢系統

In this regard, Linping Residential Big Data Research Institute pointed out that the continuous rise in the proportion of price-increased listings is an important signal of market confidence recovery. With the stimulation of favorable policies and increased market transaction activity, homeowners’ expectations for future housing prices have improved.

Looking ahead, CRIC believes that December coincides with the performance sprint season for real estate companies, and supply is expected to continue to rise. It is not ruled out that some real estate companies may conduct year-end promotions to boost performance. Considering this impact, overall transactions are expected to see a month-on-month increase, with a slight tailwind. In the second-hand home market, the market remains in a high-level oscillation, but the market share may continue to narrow. As new homes accelerate in price to increase volume and improve usable area, some first-time buyers and upgrading buyers are beginning to “flow back” to the new home market.

According to an article released by JiWu, in the first half of 2024, the transaction volume of second-hand homes in Dongguan was approximately 11,801 units, with an average transaction price of about RMB18,000 per square meter. Compared to the same period last year, the number of transactions decreased by approximately 29.17%. This data reflects the overall market trend; although there has been a reduction compared to last year’s peak period, the transaction volume exceeding 10,000 units still indicates a fundamental stability in the market.

From the perspective of price trends, the average price of second-hand homes for the entire year of 2023 was around RMB22,000 per square meter, while the average price in the first half of 2024 dropped to about RMB18,000 per square meter, indicating an overall decline in market prices. Monthly data further shows a decrease from RMB19,700 per square meter in January to RMB17,600 per square meter in June. The sustained downward pressure on prices reflects market adjustments.

In terms of regional transaction volumes, the main urban areas such as Nancheng, Dongcheng, and Guancheng performed notably well, while areas close to Shenzhen, such as Zhangmutou, Tangxia, and Fenggang, also experienced increased transaction volumes due to favorable policies and price adjustments. On the other hand, some areas like the Shuixiangpian area and the Eastern Industrial Park area saw relatively low transaction volumes, which are related to the absorption speed of the new housing market and price competition.

Regarding average transaction prices, the Songshan Lake area had the highest average price, but it also experienced a year-on-year decline of about 14%. This change is associated with the increased supply in the new housing market in Songshan Lake area, indicating a shift in the relationship between the first-hand and second-hand housing markets.

The second-hand housing market in Dongguan in the first half of 2024 exhibited a characteristic of “price for volume”, making second-hand homes the preferred choice for many first-time buyers and those upgrading their housing. Although the market has undergone adjustments, it still shows a certain degree of resilience and vitality. In the future, the second-hand housing market will continue to be influenced by economic fundamentals and market confidence, allowing buyers to enjoy a clearer and healthier market environment.

APPENDIX II ECONOMIC OVERVIEW

China Economic Overview

According to the research conducted by Hong Kong Trade Development Council (“**HKTDC**”), China’s GDP grew by 4.8% in first three quarters of 2024. In first three quarters of 2024, added-value industrial output rose 5.8%, fixed-assets investment increased 3.4%, and retail sales climbed 3.3%. Meanwhile, in September 2024, the consumer price index rose 0.4% year-on-year. In first three quarters of 2024, exports and imports in US-dollar terms increased 4.3% and 2.2% respectively, resulting in a trade surplus of US\$689.5 billion in the period. The Manufacturing Purchasing Managers’ Index rose from 49.1 in August to 49.8 in September.

According to the World Bank, China is the second-largest economy in the world, behind the United States and ahead of Germany in 2023. According to United Nations Conference on Trade and Development (“**UNCTAD**”) World Investment Report 2024, China was the world’s second-largest recipient of foreign direct investment (“**FDI**”) inflows (US\$163 billion) in 2023, second only to the US (US\$311 billion). According to the 2023 Statistical Bulletin of China’s Outward Foreign Direct Investment, China was the world’s third-largest source of outward FDI flows (US\$177 billion), behind only the US (US\$404 billion) and Japan (US\$184 billion). According to the World Trade Organisation (“**WTO**”), China was the world’s largest exporter of merchandise trade in 2023, reaching US\$3,380 billion. According to the WTO, China was the world’s fifth- largest exporter of commercial services in 2023, reaching US\$380 billion. According to China’s official statistics, Shanghai’s container throughput has ranked first in the world since 2010. According to the Hong Kong Securities and Futures Commission, citing information from the Global Federation of Stock Exchanges and Bloomberg, the market

capitalisation of the Shanghai Stock Exchange at the end of December 2023 was the largest in Asia and the fourth-largest in the world.

In January 2024, The National Business Work Conference stated that the national commercial system had been urged to expedite the construction of a new development pattern. This includes co-ordinating the expansion of domestic demand and deepening supply-side structural reform, as well as co-ordinating new urbanization and comprehensive rural revitalization.

In December 2023, the National Development and Reform Commission released a three-year action plan to deepen Guangdong-Hong Kong-Macao co-operation, foster a market-oriented and world-class business environment governed by a sound legal framework, and enhance market integration and international competitiveness in the Greater Bay Area.

Eight major initiatives designed to bolster co-operation among the Belt and Road Initiative (“BRI”) nations have been announced by Xi Jinping, the President of China. These are set to include the establishment of a new trans-Eurasia logistics corridor and the introduction of a series of e-commerce co-operation pilot zones. These new commitments formed part of the President’s opening address at the third Belt and Road Forum for International Co-operation, which concluded in Beijing in October 2023.

The Government Work Report 2023 stated that the government will increase the efficiency of utilising resources through a proactive fiscal policy; help enterprises overcome the difficult period, stabilise employment, ensure the provision of basic needs, stimulate consumption and expand demand, and prioritise employment to create 12 million urban jobs.

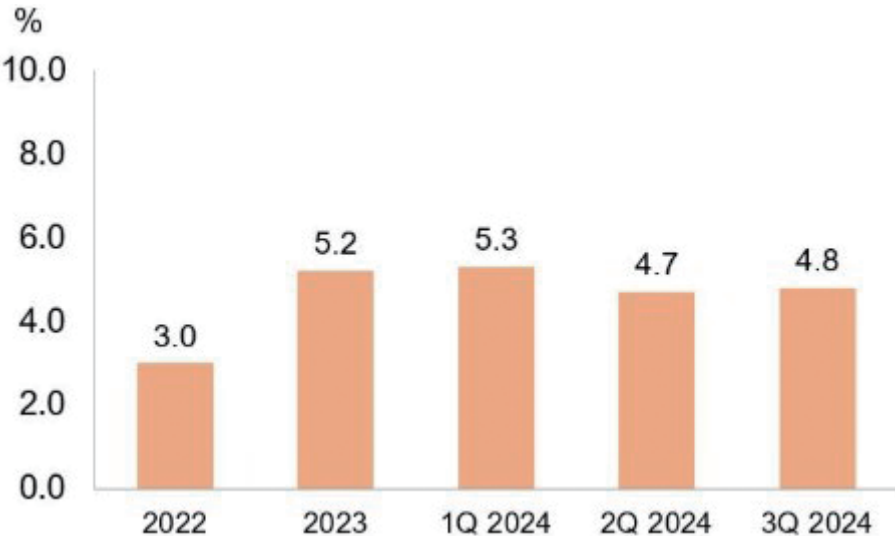


Figure 3: Real GDP growth (Year-on-year % change)

Source: HKTDC

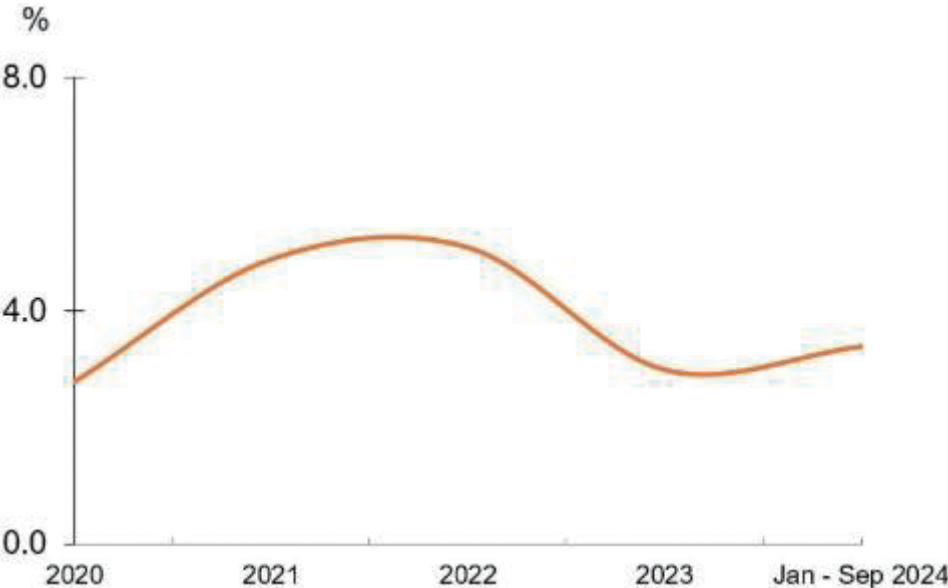


Figure 4: China fixed assets investment growth, 2020 – Jan-Sep 2024

Source: HKTDC

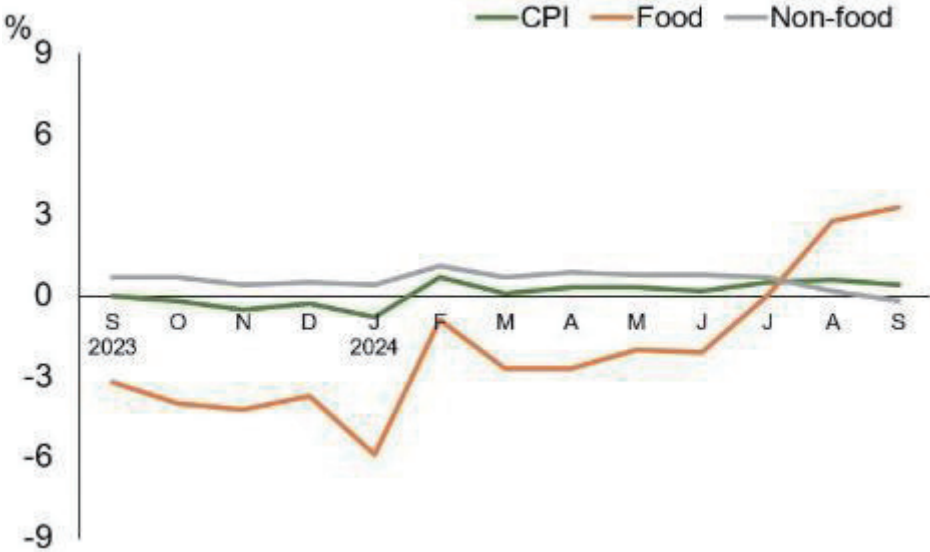


Figure 5: China's change in CPI, 2023 – Jan-Sep 2024

Source: HKTDC

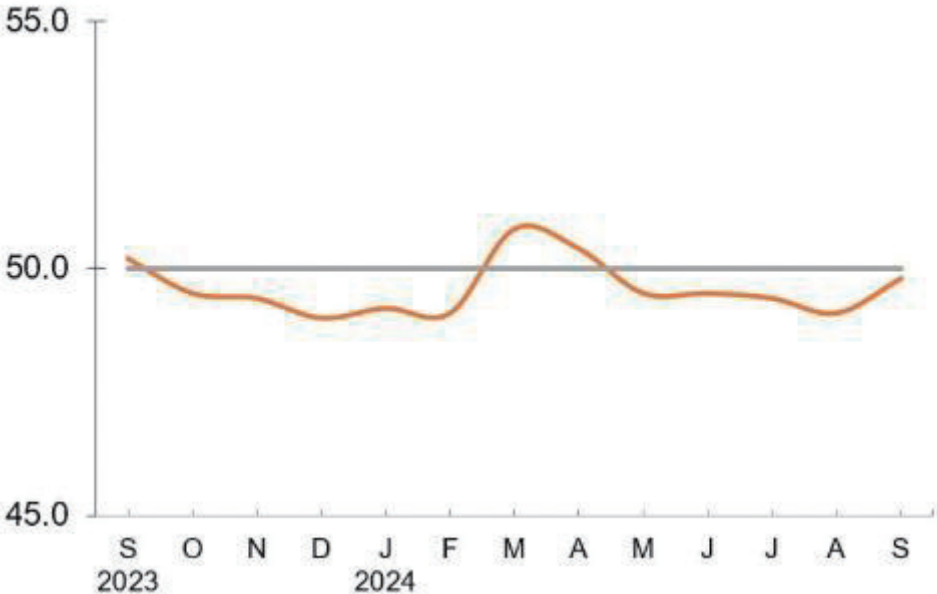


Figure 6: China's manufacturing PMI, 2023 – Jan-Sep 2024

Source: HKTDC

The following is the text of a letter and property valuation report prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent property valuer, in connection with its opinion of market value of the Property as at 31 December 2024.



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Wanchai, Hong Kong
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Tel (852) 2187 2238
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24 January 2025

The Board of Directors
Solartech International Holdings Limited
Unit 16, 12th Floor, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

Dear Sirs,

Re: Property interest of an industrial complex erected upon Land Lot No. 1924130100056 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the People's Republic of China

In accordance with the instruction from Solartech International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for us to value the captioned property located in the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for providing you with our opinion of value of the property as at 31 December 2024 (the “**Valuation Date**”) for public documentation purpose.

This letter, forming part of our valuation report, identifies the property being valued, explains the basis and methodology of our valuation and lists out the assumptions and title investigations, which we have made in the course of our valuation, as well as the limiting conditions.

Our valuation is our opinion of market value which is defined to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

In valuing the ancillary structures (the “**Ancillary Structures**” to be defined in page App V-5) of the phase I-A of the property, we have attributed no commercial value to the property as proper title certificates for the property have not been obtained as at the Valuation Date.

In valuing the phase 1-B of the property, we have adopted the Investment Method by taking into account the current rent passing and the reversionary income potential of the phase 1-B of the property, or, wherever appropriate, the Direct Comparison Method assuming the property is capable of being sold in its existing state and by making reference to comparable sales evidence as available in the relevant market.

In valuing the remaining portion of the property, we have adopted the Direct Comparison Method assuming sale of the remaining portion of the property in its existing state by making reference to comparable sales transactions as available in the relevant market subject to suitable adjustments between the remaining portion of the property and the comparable properties. Given that comparable sales transactions and information about such sales are generally available, we have therefore adopted Direct Comparison Method which is in line with the market practice.

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the property. No forced sale situation in any manner is assumed in our valuation. In addition, we have been advised by the Group that the property is not subject to any option or right of pre-emption which would concern or affect the sale of the property unless otherwise specified in this report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

We have been provided by the Group with extract copies of documents in relation to the title to the property located in the PRC. We have not examined the original documents to verify the ownership and to ascertain the existence of any amendments which do not appear on the copies handed to us. In the course of our valuation, we have relied on the advice given by the Group and the legal opinion prepared by Beijing Antong (DongGuan) Law Firm, the Group’s legal adviser on the PRC law (the “**PRC Legal Adviser**”), regarding the title to the property.

The property was inspected on 12 November 2024 by Mr. Steven T.M. Wong*, a senior manager of our firm with 9 years of experience in the inspection of properties in Hong Kong and the PRC. We have inspected the exterior and, where possible, the interior of the property. In the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurements to verify the correctness of the site and floor areas of the property but have assumed that the site and floor areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached property valuation report are based on information contained in the documents provided to us and are, therefore, only approximations.

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Adviser regarding the title to the property, we have accepted advice on such matters as planning approvals, statutory notices, easements, tenures, particulars of occupancy, tenancy agreements, site and floor areas and all other relevant materials regarding the property.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld. The management of the Company has reviewed and confirmed the factual content and has agreed to the assumptions and limiting conditions of this report.

In valuing the property, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (the “**HKIS**”), the RICS Valuation – Global Standards (Effective from 31 January 2022) published by the Royal Institution of Chartered Surveyors (the “**RICS**”) and the International Valuation Standards (Effective 31 January 2022) published by the International Valuation Standards Council, where applicable, and under generally accepted valuation procedures and practices.

Peak Vision Appraisals Limited has previously been involved in the valuation of the property and Mr. Nick C. L. Kung has been the signatory to the valuation of the property since 2021. For the subject valuation, Peak Vision Appraisals Limited does not yet adopt a rotation policy, and instead, our valuation will be periodically reviewed by another member of the HKIS and/or the RICS, where applicable.

* *Mr. Steven T.M. Wong is a member of CFA Institute and a member of the Royal Institution of Chartered Surveyors and has about 9 years of experience in the inspection of properties in Hong Kong and the PRC.*

In accordance with the RICS Valuation – Global Standards (Effective from 31 January 2022), we are also required to draw your attention to the possibility that this valuation may be investigated by the RICS for compliance with such standards.

The proportion of total fees payable by the Company during the preceding year relative to the total fee income of Peak Vision Appraisals Limited is minimal.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

We hereby confirm that we have no material connection or involvement with the Group, the property or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

Our property valuation report is enclosed herewith.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, R.P.S. (GP),
RICS Registered Valuer, MCIREA
Director

Note: Mr. Nick C. L. Kung is a RICS Registered Valuer and a Registered Professional Surveyor (General Practice) who has over 20 years of experience in the valuation of properties in Hong Kong and the PRC.

Property Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
An industrial complex erected upon Land Lot No. 1924130100056 located at Songbaitang Village, Changping Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises an industrial complex (known as Huayi Shangshang Industrial Park) erected upon Land Lot No. 1924130100056 with a registered site area of approximately 102,050.00 sq. m. It is located at the end of Beichong Nan 1st Street at the section between Beichong East Road and Changheng Road within Changping Town, Dongguan City.</p> <p>As advised by the Group, phase I-A of the property comprises 1 block of 1-storey ancillary workshop and 2 blocks of 1 to 2-storey ancillary warehouses (the “Ancillary Structures”), having a total gross floor area of approximately 3,446.34 sq. m., completed in about 2005, erected on a site with a site area of approximately 3,286.34 sq. m.</p> <p>Phase I-B of the property comprises 5 blocks of 6-storey factory buildings and 1 block of 1-storey with 1-level basement equipment room with a total gross floor area of approximately 71,306.06 sq. m. (including basement area of 288 sq. m.), all completed in about 2022 (See Notes (iii) and (iv) below), erected on a site with a site area of approximately 40,000.00 sq. m.</p> <p>The remaining portion (the “Remaining Site”) of the property is a vacant site with a site area of approximately 58,763.66 sq. m.</p> <p>The land use rights of the property have been granted for a term expiring on 17 March 2055 for industrial use.</p>	<p>As advised by the Group, as at the Valuation Date, portion of the ancillary workshop of the Ancillary Structures of the property with a gross floor area of approximately 1,300 sq. m. was subject to a supplementary tenancy agreement from 17 December 2019 to 31 December 2024 at a monthly rental of RMB24,570 (See Note (v) below). The remaining portion of the Ancillary Structures of the property was vacant.</p> <p>Phase I-B of the property was subject to a tenancy for a term of 12 years from 1 August 2024 to 31 July 2036 (with rent free period from 1 August 2024 to 28 February 2025). (See Note (vi) below).</p> <p>The Remaining Site of the property was a vacant site pending development.</p>	<p>RMB272,300,000 (RENMINBI TWO HUNDRED AND SEVENTY TWO MILLION THREE HUNDRED THOUSAND ONLY) (See Note (ix) below)</p>

Notes:

- (i) Pursuant to the State-owned Land Use Rights Certificate No. Dong Fu Gou Yong (2014) Di Te 24 issued by the People’s Government of Dongguan City dated 28 January 2014, the land use rights of a parcel of land designated as Lot No. 1924130100056 with a registered site area of approximately 102,050.00 sq. m. have been granted to Dongguan Hua Yi Brass Products Co., Ltd. (“**Dongguan Hua Yi**”) for a term expiring on 17 March 2055 for industrial use.

- (ii) Pursuant to the Construction Land Use Planning Permit No. Di Zi Di 2005-23-00032 issued by Dongguan City Urban and Rural Planning Bureau dated 28 April 2019, approvals have been granted to Dongguan Hua Yi to develop the property with a site area of 102,050.00 sq. m. and a total gross floor area of 183,690.00 sq. m. (Plot Ratio: 1.8) has been approved.
- (iii) Pursuant to 6 Construction Works Planning Permits issued by Dongguan City Natural Resources Bureau all dated 2 December 2019, approvals have been granted to Dongguan Hua Yi for the construction works of phase I-B of the property, having a total approved gross floor area of approximately 71,306.06 sq. m. (including basement area) are in compliance with the planning requirements. Details of the certificates are listed as follows:

Permit No.	Building	No. of Storey	Approximate Gross Floor Area (sq. m.)
Jian Zi Di 2019-23-0052	No. 1 factory building	6	11,138.08
Jian Zi Di 2019-23-0053	No. 2 factory building	6	14,897.77
Jian Zi Di 2019-23-0054	No. 3 factory building	6	14,898.07
Jian Zi Di 2019-23-0055	No. 4 factory building	6	14,898.07
Jian Zi Di 2019-23-0056	No. 5 factory building	6	14,898.07
Jian Zi Di 2019-23-0057	No. 6 equipment room (including basement area of 288 sq. m.)	1 with 1 basement	576.00
Total:			<u>71,306.06</u>

- (iv) Pursuant to 6 Construction Works Commencement Permits issued by Dongguan City Housing and Urban-rural Construction Bureau all dated 6 January 2020, approvals have been granted to Dongguan Hua Yi for the construction works of phase I-B of the property, having a total gross floor area of approximately 71,306.06 sq. m. (including basement area) are in compliance with the requirements for the works commencement. Details of the certificates are listed as follows:

Permit No.	Building	No. of Storey	Approximate Gross Floor Area (sq. m.)
441900202001060101 (Changping Zhen)	No. 1 factory building	6	11,138.08
441900202001060201 (Changping Zhen)	No. 2 factory building	6	14,897.77
441900202001060301 (Changping Zhen)	No. 3 factory building	6	14,898.07
441900202001060401 (Changping Zhen)	No. 4 factory building	6	14,898.07
441900202001060501 (Changping Zhen)	No. 5 factory building	6	14,898.07
441900202001060601 (Changping Zhen)	No. 6 equipment room	1 with 1 basement	576.00
Total:			<u>71,306.06</u>

- (v) Pursuant to the supplementary tenancy agreement entered into between Dongguan Hua Yi and Dongguan Yuanchuang Power Industrial Investment Co., Ltd (東莞市原創動力實業投資有限公司) dated 17 December 2019, portion of the ancillary workshop of the Ancillary Structures of the property with a gross floor area of approximately 1,300.00 sq. m. is subject to a tenancy for a term from 17 December 2019 to 31 December 2024 at a monthly rental unit rent of RMB18.9 per sq. m. (the unit rent is inclusive of tax).
- (vi) Pursuant to the tenancy agreement entered into between Dongguan Hua Yi and Dongguan Xiangao Property Management Co., Ltd. (東莞市顯高物業管理有限公司) (“**Dongguan Xiangao**”) dated 25 July 2024, phase I-B of the property with a total gross floor area of approximately 71,306.06 sq. m. and ancillary dormitories and canteen on the level 2 with a total gross floor area of approximately 1,300.00 sq. m. are subject to a tenancy for a term of 12 years from 1 August 2024 to 31 July 2036 (with rent free period from 1 August 2024 to 28 February 2025) at a monthly rental unit rate RMB15.37 per sq. m. from 1 August 2024 to 31 July 2028 with an increase of 10% once every four years (the above unit rent are inclusive of tax). However, the ancillary dormitories and canteen on the level 2 are outside of the property.
- (vii) We have been provided with the legal opinion on the property by the PRC Legal Adviser, which contains, *inter alia*, the following information which has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
- (a) The land premium for the land use rights of the property have been fully settled;
- (b) The land use rights of the property are subject to a mortgage in favor of Bank of Guangzhou Co., Ltd., Dongguan Branch (廣州銀行股份有限公司東莞分行) (the “**Bank**”). The mortgage is in effect from 11 October 2021 to 10 October 2033, with an initial loan amount of RMB130,000,000. Dongguan Hua Yi is required to obtain written consent from the Bank before transferring or otherwise legally disposing of the land use rights during the mortgage period;
- (c) Dongguan Hua Yi has obtained the State-owned Land Use Rights Certificate for the property. Within the usage period specified in the State-owned Land Use Rights Certificate, and except as disclosed in legal opinion, Dongguan Hua Yi is legally entitled to occupy, use, transfer, lease, mortgage, or otherwise legally dispose of the land use rights, and its legal rights and interests are protected by law;
- (d) Dongguan Hua Yi has not yet obtained the Construction Works Planning Permit for the Ancillary Structures erected on the property. According to the relevant laws, if corrective measures on such construction can be taken to eliminate the impact on planning implementation, the relevant administrative department shall issue an order for corrective measures to be taken within a deadline, with a penalty of between 5% and 10% of the construction cost; if corrective measures cannot be taken, an order for dismantling shall be carried out within a deadline, and if dismantling is impossible, confiscation or incomes shall be deemed illegal, and may have a penalty of not more than 10% of the construction cost. The Ancillary Structures of the property were constructed without obtaining the Construction Land Use Planning Permit, the Construction Works Planning Permit and the Construction Works Commencement Permit in accordance with the law, constituting an illegal building;
- (e) The Ancillary Structures of the property are at risk of legal consequences due to the absence of the Construction Works Planning Permit. This could lead to fines, orders for demolition within a specified timeframe, or the confiscation of physical assets or any illegal gains by the relevant authorities;
- (f) Dongguan Hua Yi has legally obtained the Construction Land Use Planning Permit, Construction Works Planning Permit, and Construction Works Commencement Permit for the phase 1-B of the property, and the phase 1-B of the property has passed fire safety acceptance. Phase 1-B of the property is recognized as a legally constructed structure. Upon obtaining the Real Estate Title Certificate, the property rights holder gains the building ownership of phase 1-B of the property and enjoys the legal rights to occupy, use, generate income, and dispose of the phase 1-B the property;
- (g) For the Ancillary Structures of the property that have not obtained the Construction Works Planning Permit, there is a legal risk that the tenancy agreement related to the Ancillary Structures of the property could be deemed legally invalid; and

- (h) Dongguan Hua Yi holds the legal usage rights for the buildings under the tenancy agreement for phase I-B of the property and is entitled to lease them to Dongguan Xiangao. Both Dongguan Hua Yi and Dongguan Xiangao possess civil rights capacity and the ability to engage in civil conduct, rendering the lease contract signed by both parties legally valid and effective.
- (viii) As at the Valuation Date, as advised and confirmed by the Company, the outstanding mortgage amount was RMB109,692,000.
- (ix) In the course of our valuation, we have attributed no commercial value to the Ancillary Structures of the property with a total gross floor area of approximately 3,446.34 sq. m. as proper title certificates have not been obtained by the Group.
- (x) In valuing phase I-B of the property, we have adopted the Investment Method, which provides an indication of value by comparing the asset with identical or similar assets for which rental information is available. Adjustments were made to reflect the differences in various aspects between the subject property and the comparables to arrive at the adopted unit rate of phase I-B of the property.
- (xi) In our valuation, we have adopted an average unit market rent of approximately RMB15.88 per sq. m. for the phase I-B of the property. The market yield of phase I-B of the property is about 6.0%.

In our valuation, we have made reference to rental comparables in the vicinity, i.e. rental comparables in Changping Town, Dongguan City or within a 25-minute drive from the property. These rental comparables are properties with the same use and transacted within 3 months* from the Valuation Date, which are deemed sufficient, appropriate and reasonable to derive a reliable opinion of value of the property as at the Valuation Date. The unit rent comparables are about RMB12.00 to RMB16.80 per sq. m./month for industrial properties. The unit rent adopted by us is consistent with the said comparable references after due adjustments. Due adjustments to those rental comparables have been made to reflect factors including but not limited to floor, layout, time, size and location in arriving at our opinion of value.

* Generally, comparables that are closer to the Valuation Date offer a more accurate reflection of market conditions as at the Valuation Date, and the time frame of comparables depends on the availability of relevant comparables. Typically, we incorporate more than 3 comparables in our valuations whenever possible. In the course of our valuation, given that transactions occurred within 3 months from the Valuation Date are sufficient to derive an objective and reliable opinion of value, we deemed the 3-month time frame to be reasonable.

In our valuation, the rental comparables adopted for the phase I-B of the property are exhaustive based on the selection criteria. We consider these comparables are located in the vicinity and are of the same uses, and thus are representative and comparable to the property. The details are as follows:

Comparable	1	2	3
Property Address	Songbaitang Village, Changping Town	Tianwei Village, Changping Town	Hengjiang Industrial Zone, Hengjiangxia Village, Changping Town
Level	Mid	1	1
Use	Industrial	Industrial	Industrial
Approximate			
Gross Floor Area (<i>sq. m.</i>)	5,400	3,600	5,120
Monthly Rental (<i>RMB</i>)	64,800	54,000	76,800
Unit Rent (<i>RMB/sq. m./month</i>)	12.00	15.00	15.00
Date	30 December 2024	26 December 2024	10 December 2024
Adjustments			
Time	Similar with the property	Similar with the property	Similar with the property
Location	Inferior to the property	Inferior to the property	Inferior to the property

Comparable	1	2	3
Floor	Inferior to the property	Superior to the property	Superior to the property
Size	Superior to the property	Superior to the property	Superior to the property
Layout and condition	Inferior to the property	Inferior to the property	Inferior to the property
Comparable	4	5	6
Property Address	Baishigang Third Industrial Zone, Hengjiangxia Village, Changping Town	Shahukou Village, Changping Town	Qiaoli Industrial Zone, Changhuang Road, Changping Town
Level	1	2 to 5	1
Use	Industrial	Industrial	Industrial
Approximate			
Gross floor area (<i>sq. m.</i>)	4,250	6,400	5,000
Monthly Rental (<i>RMB</i>)	68,000	83,200	84,000
Unit Rent (<i>RMB/sq. m./month</i>)	16.00	13.00	16.80
Date	10 December 2024	9 November 2024	26 October 2024
Adjustments			
Time	Superior to the property	Superior to the property	Superior to the property
Location	Inferior to the property	Inferior to the property	Inferior to the property
Floor	Superior to the property	Inferior to the property	Similar with the property
Size	Superior to the property	Superior to the property	Superior to the property
Layout and condition	Inferior to the property	Inferior to the property	Superior to the property

(xii) In valuing the land portion of the phase I-A and the Remaining Site of the property, we have adopted the Direct Comparison Method, which provides an indication of value by comparing the asset with identical or similar assets for which price information is available. Adjustments were made to reflect differences in various aspects between the subject property and the comparables to arrive at the adopted unit rate of the property.

(xiii) In our valuation, we have adopted an accommodation value (AV) of approximately RMB431.50 per sq. m. for the land portion of the phase I-A and the Remaining Site of the property.

In our valuation, we have made reference to land sales comparables in the vicinity, i.e. land sales comparables in neighboring towns of Changping Town, Dongguan City or within a 30-minute drive from the property. These land sales comparables* are properties with the same use and transacted within 4 months** from the Valuation Date, we have utilized comparables transacted within 4 months from the Valuation Date, which are deemed sufficient, appropriate, and reasonable to derive a reliable opinion of value of the property as at the Valuation Date. The prices of those land sales transaction references accommodation value (AV) of about RMB300 to RMB510 per sq. m. for industrial land properties. The accommodation value (AV) adopted by us is consistent with the said sales comparable references after due adjustments. Due adjustments to those sales comparables have been made to reflect factors including but not limited to time, size and location in arriving at our opinion of value.

* *In general, we require more than three good comparables reflecting the characteristics of the subject property to ensure reliability. In this case, we have identified eight comparables based on our search criteria. Furthermore, we believe that the search criteria accurately reflect the characteristics of the subject land, making the derived eight comparables sufficient and representative.*

** *Generally, comparables that are closer to the Valuation Date offer a more accurate reflection of market conditions as at the Valuation Date, and the time frame of comparables depends on the availability of relevant comparables. Typically, we incorporate more than 3 comparables in our valuations whenever possible. In the course of our valuation, given that transactions occurred within 4 months from the Valuation Date are sufficient to derive an objective and reliable opinion of value, we deemed 4-month time frame to be reasonable.*

In our valuation, the sales comparables adopted for each of the industrial lands of the property are exhaustive based on the selection criteria. We consider these comparables are located in the vicinity and are of the same uses, thus are representative and comparable to the property. The details are as follows:

Comparable	1	2	3
Property Address	Luwu Village, Changping Town, Dongguan City	Menziyuan Village, Xiegang Town, Dongguan City	Lingtou Community, Qiaotou Town, Dongguan City
Land use	Industrial	Industrial	Industrial
Approximate			
Site area (<i>sq. m.</i>)	13,366.66	8,873.50	11,361.59
Plot ratio (Maximum)	3.5	3.5	3.5
Transaction price (<i>RMB</i>)	23,860,000	9,320,000	17,050,000
Land use term	50	50	50
Accommodation value (AV) (<i>RMB/sq. m.</i>)	510	300	429
Date	23 December 2024	18 September 2024	6 September 2024
Adjustments			
Time	Similar with the property	Similar with the property	Similar with the property
Location	Inferior to the property	Inferior to the property	Inferior to the property
Size	Superior to the property	Superior to the property	Superior to the property
Land use term	Superior to the property	Superior to the property	Superior to the property
Comparable	4	5	6
Property Address	Tianxin Community, Qiaotou Town, Dongguan City	Tianxin Community, Qiaotou Town, Dongguan City	Lingtou Community, Qiaotou Town, Dongguan City
Land use	Industrial	Industrial	Industrial
Approximate			
Site area (<i>sq. m.</i>)	11,161.15	9,791.20	12,000.01
Plot ratio (Maximum)	3.5	4.0	3.5
Transaction price (<i>RMB</i>)	16,750,000	14,690,000	18,010,000
Land use term	50	50	50
Accommodation value (AV) (<i>RMB/sq. m.</i>)	429	375	429
Date	6 September 2024	6 September 2024	6 September 2024
Adjustments			
Time	Similar with the property	Similar with the property	Similar with the property
Location and Condition	Inferior to the property	Inferior to the property	Inferior to the property
Size	Superior to the property	Superior to the property	Superior to the property
Land use term	Superior to the property	Superior to the property	Superior to the property

Comparable	7	8
Property address	Tianxin Community, Qiaotou Town, Dongguan City	Tianxin Community, Qiaotou Town, Dongguan City
Land use	Industrial	Industrial
Approximate		
Site area (<i>sq. m.</i>)	45,775.73	20,000.00
Plot ratio (Maximum)	3.5	3.5
Transaction price (<i>RMB</i>)	68,670,000	30,000,000
Land use term	50	50
Accommodation value (AV) (<i>RMB/sq. m.</i>)	429	429
Date	6 September 2024	6 September 2024
Adjustments		
Time	Similar with the property	Similar with the property
Location and Condition	Inferior to the property	Inferior to the property
Size	Superior to the property	Superior to the property
Land use term	Superior to the property	Superior to the property

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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 circular 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 circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of each Director, the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (“**Model Code**”) to be notified to the Company and the Stock Exchange, were as follows:

Directors' interests or short positions in the Shares, underlying Shares and debentures of the Company or the associated corporation

Director	Capacity	Number of Shares held in long position	Number of Shares held in long position (Note (1))	Total percentage of the issued share capital of the Company
Mr. CHAU Lai Him	Beneficial owner	0	1,180,000	0.994%
Mr. CHAU Chi Ho	Beneficial owner	1,980,000	1,180,000	2.662%
Mr. LIU Dong Yang	Beneficial owner	0	1,180,000	0.994%
Mr. CHUNG Kam Kwong	Beneficial owner	0	110,000	0.093%
Mr. LO Wai Ming	Beneficial owner	20,000	110,000	0.109%
Mr. LO Chao Ming	Beneficial owner	15,000	110,000	0.105%

Note (1): Long position in the underlying shares of the Company pursuant to the grant of 3,870,000 share options to six Directors under the share option scheme of the Company on 27 May 2024.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholder

As at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, a notifiable interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

4. LITIGATION

As disclosed in the announcements of the Company dated 29 September 2023 and 28 February 2024, the construction works of the land development project of 廉江市周氏石材有限公司 (Lianjiang Zhou's Marble Company Limited*) ("**Zhou's Marble**"), an indirect non-wholly owned subsidiary of the Company, have been suspended since 2020 in light of the unfavorable trading conditions of the building stones industry and COVID-19-related issues. The constructor of the captioned project (the "**Plaintiff**") filed a claim against Zhou's Marble in the PRC for the settlement of the construction costs and Zhou's Marble was ordered to pay the Plaintiff approximately RMB21,000,000 pursuant to the first instance decision in early July 2023. Zhou's Marble filed an appeal against the decision in late July 2023. The Intermediate People's Court of Zhanjiang City, Guangdong Province ruled in mid-March 2024 that the first instance decision was based on unclear findings of basic facts and that the case should be remanded to the People's Court of Lianjiang City, Guangdong Province for retrial. On 5 July 2024, the first hearing of the retrial was held at the People's Court of Lianjiang City, Guangdong Province. As at the date of this circular, no judgement has been handed down.

The Group has been in the course of seeking legal advice and has closely monitored the status of the aforesaid proceedings. Further announcement(s) will be made by the Company to keep its shareholders and potential investors informed of any significant development as and when appropriate.

5. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following agreements, being contracts not entered into in the ordinary course of business, have been entered into by members of the Group and are or may be material:

- (a) the Equity Transfer Agreement; and
- (b) an equity transfer agreement dated 15 March 2023 entered into among Global Pacific Investments Limited (漢邦投資有限公司) (an indirect wholly-owned subsidiary of the Company) as vendor and Mr. Zhou Chuang (周闖) and Mr. Zhou Ronggen (周榮根) as purchasers for the sale and purchase of the entire equity interest in Shanghai Chau's Electrical Co., Ltd.* (上海周氏電業有限公司) at the consideration of RMB17,250,000.

6. COMPETING INTEREST OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

7. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, (a) none of the Directors had any interest, direct or indirect, in any assets which had been, since 30 June 2024 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and (b) none of the Directors was materially interested in any contractual or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the business of the Group.

8. EXPERTS AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinions or letters contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Peak Vision Appraisals Limited	Independent Professional Valuer

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets which have been, since 30 June 2024, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business in Hong Kong is situated at Unit 16, 12/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Ms. Chan Kam Yee, Shirley. Ms. Chan is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She has more than 35 years' experience in finance and accounting and more than 25 years' experience in company secretarial affairs.
- (d) The principal share registrar and transfer agent of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

- (e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (f) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.1166hk.com) for a period of fourteen (14) days from the date of this circular:

- (a) the Equity Transfer Agreement;
- (b) the annual reports of the Company for the three financial years ended 30 June 2022, 2023 and 2024, respectively;
- (c) the report on the unaudited pro forma financial information of the Remaining Group from BDO Limited, the text of which is set out in Appendix III to this circular;
- (d) the valuation report on the Target Company prepared by Peak Vision Appraisals Limited, the text of which is set out in Appendix IV to this circular;
- (e) the valuation report on the Property prepared by Peak Vision Appraisals Limited, the text of which is set out in Appendix V to this circular; and
- (f) the written consents referred to in the paragraph headed “**8. EXPERTS AND CONSENT**” in this appendix; and
- (g) this circular.

NOTICE OF SPECIAL GENERAL MEETING



SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Solartech International Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Monday, 17 February 2025 at Regal Kowloon Hotel, Longchamps I & II, 3/F, 71 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (A) the entering into of the Equity Transfer Agreement (as defined in the circular of the Company dated 24 January 2025, the “**Circular**”), a copy of which is tabled at the Meeting and marked “A” and signed by the chairman of the Meeting for identification purpose, and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (B) the Disposal (as defined in the Circular), all actions taken (or to be taken) by the Company (or any of its subsidiaries) in relation thereto and all other matters contemplated thereunder be and are hereby approved; and
- (C) any one of the directors of the Company (“**Director(s)**”) be and is hereby authorised to do all such acts and things, to sign, execute and seal (where required) any such documents, instruments or agreements for and on behalf of the Company as may be deemed by such Director in his/her absolute discretion to be incidental to, ancillary to or in connection with the Equity Transfer Agreement and all transactions contemplated thereunder.”

By Order of the Board
Solartech International Holdings Limited
Chau Lai Him
Chairman and Managing Director

Hong Kong, 24 January 2025

* *For identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more (if he holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. In order to be valid, the form of proxy must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F Far East Finance Centre, 16 Harcourt Road, Hong Kong together with any power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, not less than 48 hours before the time appointed for holding the Meeting (i.e. not later than 11:00 a.m. on Saturday, 15 February 2025) or any adjournment thereof.
2. The register of members of the Company will be closed for the purpose of holding the Meeting from Wednesday, 12 February 2025 to Monday, 17 February 2025 (both days inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Meeting, all transfer of Shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 February 2025. Shareholders whose names appear on the register of members of the Company on Monday, 17 February 2025 will be entitled to attend and vote at the Meeting.
3. A form of proxy for use at the Meeting is enclosed herewith.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
5. Delivery of the form of proxy will not preclude a member from attending and voting in person at the Meeting or at any adjourned meeting (as the case may be) and in such event, the form of proxy will be deemed to be revoked.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.
7. Arrangements due to bad weather
 - (a) If a black rainstorm warning or a tropical cyclone warning signal number 8 or above is hoisted at or after 9:00 a.m. on 17 February 2025, the Meeting will not be held on 17 February 2025, but it will be held on the first Business Day immediately after 17 February 2025 at the same time and at the Company's head office and principal place of business in Hong Kong, Unit 16, 12/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong, provided that the black rainstorm warning or a tropical cyclone warning signal number 8 has been withdrawn. "Business Day", in this context, shall mean a day (excluding Saturday) on which banks are open for general banking business in Hong Kong.
 - (b) If "extreme conditions" caused by super typhoons or other adverse weather conditions are announced by Hong Kong Government at or after 9:00 a.m. on 17 February 2025, the Meeting will not be held on 17 February 2025, but it will be held on the first Business Day immediately after 17 February 2025 at the same time and at the Company's head office and principal place of business in Hong Kong, Unit 16, 12/F, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong, provided that the "extreme conditions" has been cancelled. "Business Day", in this context, shall mean a day (excluding Saturday) on which banks are open for general banking business in Hong Kong.
8. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the executive Directors are Mr. Chau Lai Him, Mr. Chau Chi Ho and Mr. Liu Dong Yang and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming, Mr. Lo Chao Ming and Ms. Dou Biling.