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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

Reference is made to the annual report of Solartech International Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) for the year ended 30 June 2022 (the “**Annual Report**”) published on 27 October 2022, with respect to, amongst other things, the consolidated results of the Group.

The board (“**Board**”) of directors (the “**Directors**”) of the Company would like to provide the following supplemental information to the shareholders of the Company (“**Shareholders**”) regarding the Group’s other loans receivable. Capitalised terms used in this announcement shall adopt the same meanings as defined in the Annual Report, unless the context requires otherwise.

* For identification purposes only

Major terms of the loans receivable

Detail of the loans receivable as at 30 June 2022 were as below:

Number of loans	Principal amount <i>HK\$'000</i>	Interest receivables <i>HK\$'000</i>	Loss allowance <i>HK\$'000</i>	Net carrying amount <i>HK\$'000</i>	Interest rate	Maturity	Collateral/ guarantee detail
1	57,404	4,042	–	61,446	6%	Within 12 months from the end of reporting period	Pledge of leasehold land in Mainland China
2	12,611	2,042	(1,102)	13,551	6%–13%	Within 12 months from the end of reporting period	Personal guarantees from independent third parties
6	81,422	5,587	(1,989)	85,020	5%–6%	Within 12 months from the end of reporting period	Nil
<u>9</u>	<u>151,437</u>	<u>11,671</u>	<u>(3,091)</u>	<u>160,017</u>			

The Group's other loans receivable were lent through its wholly-owned subsidiary, Dongguan Qiaozi Chau's Electrical Co., Ltd. ("**Qiaozi Chau's**"), to provide secured and unsecured loans to its borrowers. The Company did not set specific target for borrowers of any industry or operation history. The source of borrowers was mainly via the business networks of the senior management of the Company. The Group's loan portfolio as at 30 June 2022, comprised of 9 independent third parties (2021: 7) with aggregate principal amount of HK\$151,437,000 (2021: HK\$138,457,000) and related interest receivables of HK\$11,671,000 (2021: HK\$11,897,000).

As at 30 June 2022, the largest borrower constituted approximate 38% of the total balances of the Group's loans receivable portfolio. This loan receivable was secured by two pieces of lands and corporate guarantee of the guarantor.

Reasons for granting the loans and how they meet the Group's business strategies

When entering into the loan agreement, the Directors have considered factors including but not limited to the credit risk assessment results of the borrower and the guarantor, the background and the repayment ability of the borrower and the guarantor, the value of the security, the purpose of the loan, the period of the loan, the debt portfolio of the borrower, the expected interest income amount and the Group's cashflow position. The works performed by the Directors include:

- A. discussed with the borrower about its business, operation, financial status and the purpose for the loan;
- B. obtained and reviewed certain current business contracts and business plan of the borrower which indicate that the borrower is in operation and sufficient cash is expected to be generated to the borrower;
- C. conducted background and corporate searches of the borrower and the guarantor which did not reveal any past default by the borrower and the guarantor;
- D. conducted public searches on the secured security, which indicated that no other charge is created thereon;
- E. obtained and reviewed the financial information of the borrower and the guarantor, which did not reveal the borrower and the guarantor had any extraordinary liabilities; and
- F. obtained and determined the suitable interest rate to reflect the risk level of the loan.

Periodic assessments will be conducted on the recoverability of the loans granted based on the creditworthiness of the borrowers, taking into account their history of default (if any), ability to make timely payment of interest during the tenure of the loans, to ensure if any follow-up action should be taken to avoid potential exposure to credit risks.

The Group utilised its idle cash to grant loans to have a stable other income and cashflow stream from the interest income is expected. The source of funds for the loans are generally funded by the internal resources of the Group. The Directors are of the view that the terms of and the entering into the loan agreements were of normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of impairment assessments

The Directors are of the opinion that, after taking into account the past payment history, impairment loss on the loans receivable of HK\$3,091,000 (2021: HK\$4,231,000) was made as at 30 June 2022.

As mentioned in note 5(a)(ii) to the consolidated financial statements of the 2022 Annual Report, the Group measures loss allowances for other loans and receivables and deposits using the general approach under HKFRS 9. Impairment of receivables and deposits was provided based on the “three stage” model by referring to the changes in credit quality since initial recognition.

These receivables and deposits that are not credit-impaired on initial recognition are classified in “Stage 1” and have their credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

- If a significant increase in credit risk (as defined in accounting policy at Note 3) since initial recognition is identified, the financial asset is moved to “Stage 2” but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.
- If the financial asset is credit-impaired (as defined in accounting policy at Note 3), the financial asset is then moved to “Stage 3”. The ECL is measured on lifetime basis.
- At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

GENERAL

The information contained in this supplemental announcement does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

On behalf of the Board
Solartech International Holdings Limited
Chau Lai Him
Chairman and Managing Director

Hong Kong, 20 October 2023

As at the date of this announcement, 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 and Mr. Lo Chao Ming.