

24 October 2024

*To the Independent Board Committee
and the Independent Shareholders of
Solartech International Holdings Limited*

Dear Sirs,

REFRESHMENT OF SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed refreshment of Scheme Mandate Limit and Service Provider Sublimit, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 24 October 2024 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise specified.

Assuming that the refreshment of Scheme Mandate Limit and Service Provider Sublimit is approved at the AGM, and that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date until the date of the AGM, 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 (as refreshed) will be 11,872,661 Shares, representing approximately 10% of the 118,726,617 Shares in issue as at the Latest Practicable Date; and 3,561,798 Shares will be available for grants of Options to Service Providers under the Service Provider Sublimit under the Share Option Scheme, representing approximately 3% of the 118,726,617 Shares in issue as at the Latest Practicable Date.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the proposed refreshment of the Scheme Mandate Limit and Service Provider Sublimit. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the proposed refreshment of the Scheme Mandate Limit and Service Provider Sublimit.

INDEPENDENCE

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the proposed refreshment of the Scheme Mandate Limit and Service Provider Sublimit, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection this appointment as the Independent Financial Adviser, no other arrangement exists whereby we will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the proposed refreshment of the Scheme Mandate Limit and Service Provider Sublimit. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations provided by the Directors and the Management, for which they are solely responsible, are true and accurate in all material respects at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

Our review and analysis were based upon, among other things, (i) the Share Option Scheme; (ii) the interim report (the “**Interim Report 2023**”) of the Company for the six-month period ended 31 December 2023 (“**FP2023**”); (iii) the annual results announcement (the “**Annual Results 2024**”) of the Company for the year ended 30 June 2024 (“**FY2024**”) dated 27 September 2024; and (iv) this circular.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have considered the following principal factors and reasons:

(a) Information on the proposed refreshment of Scheme Mandate Limit and Service Provider Sublimit

With reference to the Board Letter, the Share Option Scheme was adopted by the Shareholders on 5 December 2022. Apart from the Share Option Scheme, the Company has no other share scheme currently in force. After the Share Consolidation became effective on 15 April 2024, the maximum number of Shares subject to the Existing Scheme Mandate Limit under the Share Option Scheme became 11,872,661, representing 10% of the Shares in issue as at 15 April 2024. From 15 April 2024 to the Latest Practicable Date (the “**Period**”), (i) Share Options to subscribe for an aggregate of 11,870,000 Shares have been granted under the Share Option Scheme, representing approximately 99.98% of the Existing Scheme Mandate Limit and (ii) no Share Options granted in the Period lapsed, was exercised or cancelled.

As at the Latest Practicable Date, there were a total of 11,870,000 outstanding Share Options entitling the holders thereof to subscribe for 11,870,000 Shares, representing approximately 9.998% of the number of Shares in issue of the Company as at the Latest Practicable Date. Unless the Existing Scheme Mandate Limit is refreshed, only 2,661 remaining Share Options, representing approximately 0.002% of the number of Shares in issue of the Company as at the Latest Practical Date, is available for future grants under the Existing Scheme Mandate Limit of the Share Option Scheme, and 2,661 remaining Share Options are available for future grants under the Service Provider Sublimit under the Share Option Scheme. As at the Latest Practicable Date, the Company did not hold any Treasury Shares.

Assuming that the refreshment of the Scheme Mandate Limit and Service Provider Sublimit is approved at the AGM, and that no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date until the date of the AGM, 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 (as refreshed) will be 11,872,661 Shares, representing approximately 10% of the 118,726,617 Shares in issue as at the Latest Practicable Date; and 3,561,798 Shares will be available for grants of Options to Service Providers under the Service Provider Sublimit under the Share Option Scheme, representing approximately 3% of the 118,726,617 Shares in issue as at the Latest Practicable Date.

(b) Reasons for the proposed refreshment of Scheme Mandate Limit and Service Provider Sublimit

According to the Management, in view of the Scheme Mandate Limit is 99.98% utilised as mentioned above, the Company considers that the Scheme Mandate Limit and Service Provider Sublimit should be refreshed so that the Company can continue to provide incentives or rewards for future contributions to eligible participants and/or to enable the Group to recruit and retain high quality personnel and attract human resources that are valuable to the Group.

We understand that it is necessary for the Company to attract and retain talents for the business development of the Company. We are of the view and concur with the Management's view that granting of Options is one of the ways for retaining talent in a competitive job market by providing employees or Service Provider with a stake in the Company's success and incentivise them to work harder and stay with the Company for longer. Also, granting of Options is a cost-effective way for the Company to compensate employees as compared to salary increases and bonuses as the grantee are required to purchase the stock and the cost to the Company is limited to the administrative expenses associated with the grant. Based on the above, we are of the view and concur with the Management's view that the proposed refreshment of Scheme Mandate Limit and Service Provider Sublimit are fair and reasonable.

According to the Annual Results 2024, the Group has recorded continuous losses for the year of the Group for the years ended 30 June 2023 ("FY2023") (i.e. approximately HK\$176.76 million) and FY2024 (i.e. approximately HK\$89.25 million). According to the Interim Report 2023, the Group also recorded continuous losses for the six-month period ended 31 December 2022 ("FP2022") (i.e. approximately HK\$11.02 million) and FP2023 (i.e. approximately HK\$59.18 million). Accordingly, we are of the view and concur with the Management's view that comparing to cash or cash equivalents rewards for eligible participants for their contributions to the Group, the granting of Options is a prudent approach for the Group which (i) represents an appropriate means to attract and retain talents and expertise without cash outflow; and (ii) enables the Group to maintain its liquid capital to carry on its current business and sufficient buffer cash for future or sudden use. Based on above, we are of the view and concur with the view of the Management that grant of Options is one of the ways for retaining talents and in the interests of the Company and the Shareholders as a whole.

With reference to the Board Letter, upon approval of the refreshment of the Service Provider Sublimit by the Independent Shareholders, the refreshed Service Provider Sublimit will be identically kept at 3% of the total number of Shares in issue as at the date of the Shareholders' approval of such refreshment, which aligns with the terms of the Share Option Scheme and the Service Provider Sublimit approved by the then Shareholders on 5 December 2022. As stated in the Board Letter and the Share Option Scheme, in order to be eligible for participating in the Share Option Scheme, all Service Providers must have supplied goods or rendered services for three times or more to the Group for at least 12 months prior to the date of grant, and:

- (a) for suppliers of goods, the scale of the relevant Service Provider's business dealings with the Group in terms of purchase attributable to such Service Provider shall generally represent not less than 5% of the Group's turnover of the business segment of the Group in which such Service Provider is involved in the last financial year; or
- (b) for (i) advisors, consultants, business or joint venture partners, contractors, agents or representatives of any member of the Group, and (ii) a person or entity that engages in design and/or research and development work for any member of the Group, the contribution to the Group's revenue or profit in the relevant business segment in the last financial year attributable to relevant Service Provider shall generally represent not less than 5% of the Group's turnover of the business segment of the Group in which such Service Provider is involved in the last financial year, and an increase of not less than 5% on a year-to-year basis.

Having considered that:

- (i) the Service Providers who are eligible for participating in the Share Option Scheme would have stable business relationship with the Group and making significant contribution to the Group's revenue or profit in recent financial year(s);
- (ii) offering Share Options to eligible Service Providers will align their interests with those of the Group, attracting talented individuals from various industries in which the Group operates and promote the Group's long-term growth and profitability;
- (iii) while the Company has not granted any Share Options to the Service Providers under the current Share Option Scheme as at the Latest Practicable Date, the number of share options granted to the Service Providers under previous share option schemes of the Company, which amounted to approximately 30% of the total number of share options granted thereunder as at the Latest Practicable Date and was one of the factors in determining the Service Provider Sublimit approved by the then Shareholders on 5 December 2022;

- (iv) the refreshed Service Provider Sublimit will be identically kept at 3% of the total number of Shares in issue as at the date of the Shareholders' approval of such refreshment, which aligns with the terms of the Share Option Scheme and the Service Provider Sublimit approved by the then Shareholders on 5 December 2022 and provide sufficient flexibility based on previous grants for the Board to exercise their discretion to grant Share Options to the Service Providers; and
- (v) the refreshed Service Provider Sublimit reserve the majority portion of the Scheme Mandate Limit for eligible employee participants of the Group,

we are of the view and concur with the Management's view that the refreshment of Service Provider Sublimit is fair and reasonable.

As the Scheme Mandate Limit is 99.98% utilised, the number of Share Options that can be granted to the Service Providers is severely limited if the Scheme Mandate Limit and the Service Provider Sublimit are not refreshed. According to the Management, the Company considers that although the Company has not granted any Share Options to the Service Providers since adoption of the Share Option Scheme, the Service Provider Sublimit should also be refreshed in order to maintain flexibility to provide equity incentive to reward and collaborate with Service Providers, who are not employees or officers of the Group but may still be able to provide valuable expertise and/or services to the Group.

Although (i) the Share Option Scheme was adopted on 5 December 2022 which is less than two years prior to the Latest Practicable Date; and (ii) the Company did not intend to grant any Share Options under the Share Option Scheme as at the Latest Practicable Date, having also considered:

- (i) the Scheme Mandate Limit is 99.98% utilised and it would severely limit the effectiveness and flexibility for the Group to provide incentives or rewards to eligible participants and expertise for their contributions to the Group;
- (ii) according to the Annual Results 2024, the Group has recorded continuous losses for the year of the Group for FY2023 (i.e. approximately HK\$176.76 million) and FY2024 (i.e. approximately HK\$89.25 million). Accordingly, the granting of Share Options is a prudent approach for the Group which (a) represents an appropriate means to attract and retain talents and expertise without cash outflow; and (b) enables the Group to maintain its liquid capital to carry on its current business and sufficient buffer cash for future or sudden use; and
- (iii) the additional costs and time required in granting Share Options should a separate general meeting be convened to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit,

the proposed refreshment of Scheme Mandate Limit and Service Provider Sublimit are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

(c) Potential dilution of shareholding of the Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) assuming all the outstanding Share Options of the Company are fully exercised as at the Latest Practicable Date; and (iii) upon full utilisation of the refreshed Scheme Mandate Limit, all the outstanding Share Options of the Company are fully exercised after the date of AGM (assuming no other Shares are issued and/or repurchased and cancelled by the Company from the Latest Practicable Date up to and including the date when the refreshed Scheme Mandate Limit is utilised in full) and full exercise of the Share Options issued under the refreshed Scheme Mandate Limit into Shares, provided by the Company for illustrative and reference purpose:

Shareholders	As at the Latest Practicable Date		As at the Latest Practicable Date (assuming all the outstanding Share Options of the Company are fully exercised)		Immediately upon full utilisation of the refreshed Scheme Mandate Limit, all the outstanding Share Options of the Company are fully exercised after the date of AGM (assuming no other Shares are issued and/or repurchased and cancelled by the Company from the Latest Practicable Date up to and including the date when the refreshed Scheme Mandate Limit is utilised in full) and full exercise of the Share Options issued under the refreshed Scheme Mandate Limit into Shares	
	<i>Approximate %</i>		<i>Approximate %</i>		<i>Approximate %</i>	
	<i>Number of Shares held</i>	<i>of total Shares in issue</i>	<i>Number of Shares held</i>	<i>of total Shares in issue</i>	<i>Number of Shares held</i>	<i>of total Shares in issue</i>
<i>Executive Directors</i>						
Chau Lai Him	–	–	1,180,000 (Note 2)	0.90%	1,180,000 (Note 2)	0.83%
Chau Chi Ho	1,980,000	1.67%	3,160,000 (Note 2)	2.42%	3,160,000 (Note 2)	2.22%
Liu Dong Yang	–	–	1,180,000 (Note 2)	0.90%	1,180,000 (Note 2)	0.83%

Shareholders	As at the Latest Practicable Date		As at the Latest Practicable Date (assuming all the outstanding Share Options of the Company are fully exercised)		Immediately upon full utilisation of the refreshed Scheme Mandate Limit, all the outstanding Share Options of the Company are fully exercised after the date of AGM (assuming no other Shares are issued and/or repurchased and cancelled by the Company from the Latest Practicable Date up to and including the date when the refreshed Scheme Mandate Limit is utilised in full) and full exercise of the Share Options issued under the refreshed Scheme Mandate Limit into Shares	
	Approximate %		Approximate %		Approximate %	
	Number of Shares held	of total Shares in issue	Number of Shares held	of total Shares in issue	Number of Shares held	of total Shares in issue
<i>Independent non-executive Directors</i>						
Chung Kam Kwong	–	–	110,000 (Note 2)	0.08%	110,000 (Note 2)	0.08%
Lo Wai Ming	20,000	0.02%	130,000 (Note 2)	0.10%	130,000 (Note 2)	0.09%
Lo Chao Ming	15,000	0.01%	125,000 (Note 2)	0.10%	125,000 (Note 2)	0.09%
Holder of outstanding options of the Company	–	–	8,000,000 (Note 2)	6.13%	8,000,000 (Note 2)	5.61%
Other public Shareholders	116,711,617	98.30%	116,711,617	89.37%	116,711,617	81.92%
Maximum number of new Shares that can be issued under the refreshed Scheme Mandate Limit	–	–	–	–	11,872,661	8.33%
Total	118,726,617	100.00%	130,596,617	100.00%	142,469,278	100.00%

Notes:

1. All interests stated are long positions.
2. The number of shares included the Share Options granted by the Company on 27 May 2024 (details of which please refer to the Company's announcement dated 27 May 2024) and assuming they are fully exercised.

As illustrated above, the shareholding of the existing public Shareholders would be diluted from approximately 98.30% as at the Latest Practicable Date to (i) approximately 89.37% assuming all the outstanding options of the Company are fully exercised as at the Latest Practicable Date; and (ii) approximately 81.92% upon full utilisation of the refreshed Scheme Mandate Limit, all the outstanding options of the Company are fully exercised after the date of AGM and full exercise of the Options issued under the new Scheme Mandate Limit into Shares.

Taking into consideration that:

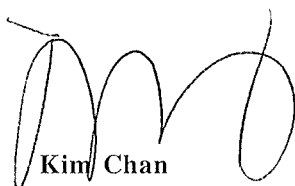
- (i) the Scheme Mandate Limit was 99.98% utilised and it would severely limit the effectiveness and flexibility for the Group to provide incentives or rewards to eligible participants and expertise for their contributions to the Group as mentioned above in this letter;
- (ii) according to the Annual Results 2024, the Group has recorded continuous losses for the year of the Group for FY2023 (i.e. approximately HK\$176.76 million) and FY2024 (i.e. approximately HK\$89.25 million), the granting of Options is a prudent approach for the Group which (a) represents an appropriate means to attract and retain talents and expertise without cash outflow; and (b) enables the Group to maintain its liquid capital to carry on its current business and sufficient buffer cash for future or sudden use as mentioned above in this letter,

we consider that the dilution effect on the shareholding interests of the existing public Shareholders as a result of the grant of Options under the refreshed Scheme Mandate Limit is acceptable.

RECOMMENDATIONS

Having taken into account the principal factors and reasons set out above, we are of the opinion that the proposed refreshment of the Scheme Mandate Limit and Service Provider Sublimit is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) approving proposed refreshment of the Scheme Mandate Limit and Service Provider Sublimit.

Yours faithfully,
For and on behalf of
Nuada Limited



Kim Chan
Director



Herman Luk
Assistant Manager

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 20 years of experience in corporate finance industry.

Mr. Herman Luk is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 9 years of experience in corporate finance industry.