Unity Group Holdings International Limited
知行集團控股國際有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1539)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF SUBSIDIARY FURTHER ANNOUNCEMENT

References are made to the announcements (the "**Announcements**") of Unity Group Holdings International Limited (the "**Company**") dated 15 January 2025 and 20 January 2025 respectively, in relation to, among others, the discloseable and connected transaction in relation to the acquisition of a subsidiary. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless otherwise specified.

As disclosed in the Announcements, as discounted cash flow method under the income approach was adopted in the valuation report prepared by the Valuer, the valuation of the Target Company is regarded as a profit forecast under Rule 14.61 of the Listing Rules. This announcement is made by the Company to disclose further details of the profit forecast in relation to the valuation of the Target Company in compliance with Rule 14.60A of the Listing Rules.

PROFIT FORECAST IN RELATION TO THE VALUATION

Valuation methodology

100% equity interest of the Target Company was preliminarily valued at HK$810.20 million based on income approach by the Valuer. The Valuer had considered three generally accepted approaches in the valuation, namely (i) the income-based approach; (ii) the market-based approach; and (iii) the asset-based approach. In the process of valuing the Target Group, the Valuer has taken into account of the operation, financial information and nature of the Target Group.

The market-based approach was not adopted since there was a lack of comparable listed companies in the securities market with the same or similar types of business as the Target Group, and there was limited publicly available information on similar transaction cases.

The asset-based approach was also not adopted because it could not capture the future earning potential of the Target Group.

With regard to the business development and operation status of the Target Group, the Valuer considered that the Target Group was at development stage. Having considered the future development and the uniqueness of the business operation of the Target Group, the future earning potential of the Target Group with its company specific assumptions can be better reflected under the income-based approach. Therefore, the income-based approach was considered as an appropriate valuation approach.

Given that the Target Group is a project-based company with varying capital structure throughout the respective period due to debt repayment or additional financing, it is impractical to assume a stable long-term debt-to-equity ratio ("**D/E ratio**") in the derivation of weighted average cost of capital ("**WACC**"). To determine the value of the Target Group in this valuation, the Valuer used the adjusted present value ("**APV**") method, which can exclude the impact of change in capital structure over the period.

Under APV method, the value of an unlevered firm is measured by discounting projected free cash flows to the Target Group with the assumption that the Target Group is solely financed by equity, plus the present value of any financing benefit (e.g. tax shield). The projected free cash flows to the Target Group are discounted by an equity-financing discount rate or cost of debt.

Key assumptions underlying the financial projections

The valuation was mainly based on the projections of the future cash flows up to 2040 taking into account the Target Group's customer contracts with contract term of not less than 10 years.

The projected income of the Target Group was mainly determined based on the unit annual fee per light (fee determined based on electricity saving) and number of lightings installed. The unit annual fee per light was determined based on historical data with growth rate of 2.5% following the expected increase in electricity fee.

The major costs of the Target Group were the lightings and installation cost which was referenced to historical data. The sales and marketing expense and the administrative expense was expected to grow with the inflation in Malaysia. The Target Group is subject to of Malaysia corporate tax rate of 24%.

Key inputs adopted in the valuation

The key inputs adopted in the valuation are set out as follows:

Name of key inputs	**Inputs**	**Basis of assumptions**
Discount rate	13.08%	Determined by using capital asset pricing model, with reference to risk free rate of Malaysia, market risk premium of Malaysia, beta of companies engaged in LED lighting industry in Asia and size premium published by Kroll, an investment research firm, financial and risk adviser founded in 1932, with publications on cost of capital for over 20 years.
Inflation rate	2-2.5%	Forecast inflation rate in Malaysia for the period from 2025-2029 as sourced from International Monetary Fund
Borrowing cost of the Target Group	6.65%	Actual borrowing cost of the Target Group

Name of key inputs	Inputs	Basis of assumptions
Corporate tax rate	24%	Corporate tax rate in Malaysia
Discount on lack of marketability	15.61%	Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. The discount on lack of marketability was referenced to the result of the restricted stock study published in "Stout Restricted Stock Study" by Stout Risius Ross, LLC.

Based on the valuation assumptions and input, the Valuer has arrived at a present value of cash flows of HK$1,005.11 million, adjusted for net debt of HK$7.30 million, net non-operating liabilities of HK$37.43 million and lease liabilities of HK$0.25 million in arriving at the equity value of the Target Group. The equity value of HK$960.13 million was then further adjusted with discount on lack of marketability of 15.61% in arriving at the market value of the Target Group of HK$810.20 million.

Valuation assumptions

Details of the key assumptions underlying the valuation report are set out below:

General assumptions

1. There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

2. There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

3. There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and

4. Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

Specific assumptions

1. The valuation was mainly based on the projections of the future cash flows up to 2040.

2. The projections outlined in the financial information provided are assumed to be capable of reflecting future market conditions and economic fundamentals, and are assumed to be materialised;

3. The Target Group will be able to obtain adequate financing as scheduled in the financial projection;

4. The expected useful life of the Target Group's lighting installation products would be 10 years;

5. The Target Group would be operated and developed as planned by the management throughout the forecast period, and the development would be in line with the financial projection;

6. All relevant legal approvals and business certificates or licences to operate the business in the localities in which the Target Group operates or intends to operate were assumed to be successfully obtained;

7. Saved for those liabilities reported in the financial statements of the Target Group, it is not subject to any liabilities, interest-bearing loans and encumbrances that would impair its value as at the date of valuation;

8. There will be no material changes in the Target Group's mode of operation during the forecast period.

Sensitivity analysis of changes in key inputs to the appraised value of the Target Group

Details of the sensitivity analysis carried out by the Group in respect of the discount rate and marketability discount adopted in the valuation based on the key inputs are set out below:

Scenario	Discount rate	Market value	Change in market value	Percentage change in market value
		(HK$ million)	*(HK$ million)*	
Benchmark discount rate +1%	14.08%	692.00	(118.20)	(14.59%)
Benchmark discount rate +0.5%	13.58%	749.60	(60.60)	(7.48%)
Benchmark discount rate	13.08%	810.20	–	0.00%
Benchmark discount rate -0.5%	12.58%	874.10	63.90	7.89%
Benchmark discount rate -1%	12.08%	941.30	131.10	16.18%

Scenario	Discount on lack of marketability	Market value	Change in market value	Percentage change in market value
		(HK$ million)	*(HK$ million)*	
Discount on lack of marketability +1%	16.61%	800.60	(9.60)	(1.18%)
Discount on lack of marketability +0.5%	16.11%	805.40	(4.80)	(0.59%)
Discount on lack of marketability	15.61%	810.20	–	0.00%
Discount on lack of marketability -0.5%	15.11%	815.00	4.80	0.59%
Discount on lack of marketability -1%	14.61%	819.80	9.60	1.18%

REPORT FROM THE REPORTING ACCOUNTANT

Beijing Xinghua Caplegend CPA Limited ("**Beijing Xinghua**") has been engaged by the Company to review the arithmetical calculations and compilation of the discounted cash flows used in the valuation prepared by the Valuer. The letter from the reporting accountant is set out in Appendix I to this announcement for the purpose under Rule 14.60A(2) of the Listing Rules.

CONFIRMATION FROM THE FINANCIAL ADVISER

A letter from the Company's financial adviser, Draco Capital Limited, confirming that they are satisfied that the profit forecast has been made by the Directors after due and careful enquiry, is set out in Appendix II to this announcement.

EXPERTS

The following are the qualifications of experts who have made representations or provided opinions contained in this announcement:

Name	Qualification	Date of representation or opinion
BonVision International Appraisals Limited	Independent Professional Valuer	15 January 2025
Beijing Xinghua Caplegend CPA Limited	Certified public accountants	24 January 2025
Draco Capital Limited	A licensed corporation permitted to conduct type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance	24 January 2025

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letters, reports and/or opinions and the references to its name (including its qualification) included herein in the form and context in which it appears.

As at the date of this announcement, neither of the above experts held any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the experts mentioned above is a third party independent of the Group and its connected persons.

By order of the Board
Unity Group Holdings International Limited
Wong Man Fai Mansfield
Chairman, Chief Executive Officer and
Executive Director

Hong Kong, 24 January 2025

As at the date of this announcement, the executive director of the Company is Mr. Wong Man Fai Mansfield; the non-executive directors of the Company are Mr. Tsang Sze Wai Claudius and Ms. Cai Linda Xin Xin; and the independent non-executive directors of the Company are Mr. Chung Koon Yan, Mr. Cheung Yick Hung Jackie, Dr. Wong Chi Ying Anthony and Mr. Tang Warren Louis.

The English version of this announcement shall prevail if there is any inconsistency or ambiguity between the contents of the English version and Chinese version of this announcement.

APPENDIX I – LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of the letter received from Beijing Xinghua, for inclusion in this announcement.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF SYNERGY COOLING MANAGEMENT LIMITED

TO THE BOARD OF DIRECTORS OF
UNITY GROUP HOLDINGS INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") dated 15 January 2025 prepared by BonVision International Appraisals Limited in respect of the appraisal of the fair value of the 100% equity interests in Synergy Cooling Management Limited (the "**Target Company**") is based. The Valuation is set out in the announcements of Unity Group Holdings International Limited (the "**Company**") dated 15 January 2025 (the "**Announcement**") and 24 January 2025 (the "**Further Announcement**"). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the section headed "Valuation Assumptions" of the Further Announcement. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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 Hong Kong Institute of Certified Public Accountants (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 (HKSQM) 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 and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

It is our responsibility, pursuant to paragraph 14.60A(2) of the Listing Rules, to express an opinion on the calculations of the discounted future estimated cash flows, and to report our opinion solely to the Company, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires that we plan and perform our work to form the opinion.

This assurance engagement involved performing procedures to obtain sufficient appropriate evidence as to whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled, in all material respects, in accordance with the bases and assumptions as set out in the section headed "Valuation Assumptions" of the Further Announcement. The extent of procedures selected depends on the Reporting Accountant's judgement and our assessment of the engagement risk. Within the scope of our work, we, amongst others, reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the bases and assumptions.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows have been prepared using a set of bases and assumptions that include hypothetical assumptions about future events and management's actions that cannot be confirmed and verified in the same way as past results and that are not necessarily expected to occur. Even if the events anticipated under the hypothetical assumptions described above occur, actual results are still likely to be different from the discounted future estimated cash flows since other anticipated events frequently do not occur as expected and the variation may be material. We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any valuation of the Target Company.

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

Opinion

In our opinion, based on the foregoing, so far as the calculations are concerned, the discounted future estimated cash flows, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the section headed "Valuation Assumptions" of the Further Announcement.

Beijing Xinghua Caplegend CPA Limited
Certified Public Accountants
Lo Charbon
Practising Certificate Number P06029
Hong Kong
24 January 2025

APPENDIX II – LETTER FROM THE COMPANY'S FINANCIAL ADVISER

The following is the text of the letter from the Company's financial adviser, Draco Capital Limited, for inclusion in this announcement.

Report from Financial Adviser on the profit forecast (the "Profit Forecast") of the Company in connection with the Company's valuation (the "Valuation") dated 24 January 2025

We refer to the Valuation and Profit Forecast of the Company prepared by the board (the "**Board**") of the Company dated 15 January 2025. In accordance with the Company's instructions, we have reviewed the Profit Forecast, for which the directors of the Company (the "**Directors**") are solely responsible for. We have had discussions with the management of the Company regarding the bases and assumptions upon which the Profit Forecast has been made.

We have also considered the Company has engaged Beijing Xinghua Caplegend CPA Limited ("**Beijing Xinghua**") and issued the letter addressed solely to and for the sole benefit of the Directors dated 24 January 2025 from Beijing Xinghua, regarding the calculations upon which the Profit Forecast has been made.

The Profit Forecast has been prepared using a set of assumptions that include hypothetical assumptions about future events and other assumptions that may or may not necessarily be expected to occur. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to differ from the Profit Forecast since such anticipated events frequently may or may not occur as expected and the variation may be material.

We confirm that the assessment, review and discussions carried out by us as described above are primarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the date of this letter and that we have, in arriving at our views, relied on information and materials supplied to us by the Company and Beijing Xinghua and opinions expressed by, and representations of, the employees and/or management of the Company and Beijing Xinghua.

We have assumed that all information, materials and representations referred to or contained in the Valuation and Profit Forecast were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Valuation and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, expressed or implied, is made by us on the accuracy, truth or completeness of such information, materials, opinions and/or representations. Circumstances could have developed or could develop in the future that, if known to us at the time of this letter, would have altered our respective assessment and review.

On the basis that the Directors are satisfied that there are no further matters that should be brought to our attention, in our opinion, the Profit Forecast, for which the Directors are solely responsible, has been made by the Directors after due and careful enquiry.

Yours faithfully,
Draco Capital Limited