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Sheen Tai Holdings Group Company Limited

順泰控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01335)

SUPPLEMENTAL ANNOUNCEMENT DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF ALL ISSUED SHARES OF THE TARGET COMPANY

References are made to the announcements of Sheen Tai Holdings Group Company Limited (the “**Company**”, together with its subsidiaries the “**Group**”) dated 22 May 2024, 21 October 2024 and 11 November 2024 (the “**Announcement(s)**”) in relation to the proposed acquisition of the entire issued share capital of the Target Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board wishes to provide additional information regarding the Acquisition and the Valuation as follows:

THE ACQUISITION

On 21 October 2024, the Vendor and the Purchaser (a wholly owned subsidiary of the Company) entered into the SPA to acquire the Sale Shares, which represent the entire issued share capital of the Target Company. The Target Company has a major subsidiary, namely the Technology Company.

The principal assets of the Technology Company are the Super Computing Servers which consists of 4,250 units of machine model S19-95T and 650 units of machine model S19-110T. The Super Computing Servers are Bitcoin mining machines situated in the United States (the “**US**”). A service provider is engaged to provide hosting and maintenance services in respect of the Super Computing Servers at a fee linked with the electricity consumed. The hosting service provider is an independent third party.

The Company is optimistic on the prospect of cryptocurrency and the potentials of Bitcoin. The mined Bitcoins will be stored in cold wallet and kept by the Company intended for long-term investment. Going forward, more Super Computing Servers may be acquired depending on the operation and market price of Bitcoin.

The Vendor has extensive experience in the digital asset industry, she was acquainted with Mr. Guo Yumin, the Chairman and executive director of the Company, through a mutual friend. To protect the position of the Company, under the terms of the SPA, the Purchaser was granted a Put Option pursuant to which the Purchaser has the right to request the Vendor to repurchase all the Sale Shares at the same Consideration within twelve months from the Completion Date. Before exercising the Put Option, the Company will consider whether there is a severe plunge in the value of Bitcoin or material negative long-term prospect in the crypto industry; whether the Super Computing Servers are productive as expected; and whether the legality and profitability of the mining operation is negatively affected by the change of regulatory, economy or political environment. The Company has no present intention to exercise the Put Option and the Company will comply with the applicable Listing Rules if the Put Option is exercised.

Reasons for and Benefit of the Acquisition

The digital asset or crypto industry has been in a rising trend in recent years and the Company wishes to tap into this industry to capture potential opportunities leveraging on the Group's experience, where possible. The principal activities of the Group include the generation of photovoltaic power and the Directors seek to utilise its expertise in the power industry for expansion. It is commonly known that crypto mining, data storage, AI server businesses are basically sets of machines running on their own that require steady supply of electricity. The cost of electricity is crucial which directly affects the profitability of such businesses. As the Group has years of experience in operating and managing power plants, the Group has the skills and knowledge on efficient power generation and transmission. This expertise benefits businesses that are dependent on high volume of power supply.

The Acquisition is an attempt to venture into business that heavily relies on electricity. The Directors chose to start with the Bitcoin mining business due to the popularity, recent trend and price of cryptocurrency, among which Bitcoin is the most recognised and accepted worldwide crypto. The Group will recruit more personnel with experience in digital asset related aspects as the Group further develops and expands in this industry.

THE VALUATION

Methodology

As disclosed in the Announcement dated 11 November 2024, the Valuer analysed the applicability of different valuation methods and considered that income approach is the most appropriate for valuation of the Target Group. Details of the analysis are as follows:

- (a) The market approach values a business entity by comparison of the prices at which other similar business nature companies changed hands in arm's length transactions. The Valuer experienced difficulty in finding suitable comparable transactions in the market to compare against the Acquisition because digital asset mining business is highly dependent on the computing power, physical and economic useful life of the machines and the operating cost. As the models and

specifications of the mining machinery employed by the comparable companies are not known, this implies there is difference in returns obtained by the Target Company and the comparable companies.

- (b) The asset approach is based on the general concept that the value of the business entity is represented by the money that has been made available to purchase the business assets needed. This approach is not recommended by the Valuer as the cost of reproducing and replacing the assets of the Target Company ignores the future economic benefits of the business as a whole, which does not reflect the potentials of the Target Company.
- (c) 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 realising those benefits.

The Target Company is a pre-revenue company at early growth and expansion stage in new economy, the historical financial performance was not representative and failed to reflect the projected income and profitability of the Target Company as driven by the digital asset mining activities. Hence, the use of income forecast based on the Super Computing Servers is more representative and reasonable by stating the value of the business in present value terms. The Valuer advised to adopt income approach on the valuation of the Target Company.

Key Inputs

The Valuation Report indicates that the value of all issued shares of the Target Company is US\$10,263,000 based on income approach and the following key inputs adopted, inter alia,

- (a) the projection period in the Valuation is approximately four years from 2024 to 2028 (the “**Projection Period**”) with no terminal growth afterwards;
- (b) revenue mainly includes income from the Bitcoin mining business based on (i) the quantity of Bitcoin mined by the Super Computing Servers; and (ii) the market price of Bitcoin throughout the Projection Period;
- (c) operating expenses mainly comprised the fees charged by the hosting service provider;
- (d) the Target Company is subject to a corporate income tax rate of 21.0% in the US;
- (e) as Bitcoins are highly liquid assets, the non-cash working capital is estimated to be nominal; and

- (f) based on the unaudited financial results provided by the management of the Target Group and the Group, the Target Company maintained nominal non-operating assets and liabilities as at the Valuation Date and therefore no adjustment for non-operating assets and liabilities for the purpose of the Valuation.

Having examined and reviewed the key assumptions, valuation methodology and the key inputs of the Valuation, the Directors noted that (a) the key assumptions are commonly adopted assumptions in valuations and are in line with market practice; (b) the market approach and the asset approach had been rejected by the Valuer as (i) there are insufficient direct comparable transactions with comprehensive financial disclosure in the market to form a reliable opinion on value; and (ii) the cost of reproducing and replacing its assets ignores the future economic benefits of the business as a whole. The historical financial performance was not representative and failed to reflect the projected income and profitability. Having considered that the Target Group is at an early growth and expansion stage in new economy, the Directors concurred that income approach is the most appropriate and reasonable among the three valuation approaches; and (c) the key inputs and the calculations are fair and reasonable.

In light of the above, the Directors are of the view that the Valuation is fair and reasonable and can be relied on.

Qualifications and experience of the Valuer

The Board has reviewed and enquired into the qualification and experience of the Valuer in relation to the preparation of the Valuation Report and noted that the Valuer is composed of a team of valuation professionals with various international professional accreditations (including but not limited to, Chartered Financial Analyst, Certified Financial Risk Manager, member of Royal Institution of Chartered Surveyors and certified environmental social governance analyst) and headed by Mr. Damon Wan, a director of the Valuer, who has 16 years of experiences in performing properties, financial instruments, intangible assets and business valuation for the purposes of corporate advisory, merger and acquisition and public listing. Mr. Damon Wan has completed over 50 valuation exercises with listed companies in Hong Kong for transaction disclosure purposes.

Assessment done by the Valuer

The Valuer considered the income from the Bitcoin mining business based on (i) the quantity of Bitcoin mined by the Super Computing Servers and (ii) the market price of Bitcoin throughout the Projection Period. Details of the assessment done by the Valuer are as follows:

(1) The quantity of Bitcoin to be mined

The Valuer is of the view that the average number of Bitcoins to be extracted per day by each Super Computing Server can be estimated by using the below generic network formula:

$$Cm/day = subsidy * (1440/blocktime) * (Hm/Hn)$$

where,

- (i) C_m is the result of the formula, representing the number of Bitcoins extracted by each Super Computing Server per day;
- (ii) Subsidy (i.e. number of Bitcoins per block each Super Computing Server gets a reward), blocktime (i.e. average time per block) and H_n (i.e. total network hashpower) are parameters from network public information; and
- (ii) H_m is the hashrate of the respective model of the Super Computing Server, which is based on the specification of the respective model of the Super Computing Server.

The Board has reviewed the historical mining records of the Super Computing Servers and compared this estimation with the actual daily average number of Bitcoins mined by the Super Computing Servers. The estimation by the Valuer matches with the annualised actual figure of the Bitcoin to be mined, therefore the projection of the Valuation is fair and reasonable.

(2) Price of Bitcoin

To forecast the Bitcoin price used in the Valuation, the Valuer has made reference to (i) the industry researches as widely recognised and referred by industry practitioners, inter alia, Cryptonews, DigitalCoinPrice, IG International Limited; and (ii) the historical movement of Bitcoin price over the last halving cycle up to the Valuation Date, in which both sources indicate the annual growth rate of Bitcoin price ranging from approximately 23% to 70%. The valuation of Bitcoin price is based on the empirical study by using the primary data of historical Bitcoin price in the halving cycle as a proxy, resulting in the most conservative growth rate of approximately 23% per annum.

In verifying the fairness and reasonableness of above forecast of the Bitcoin price, the Directors have performed independent investigation by reviewing the price of Bitcoin as at the Valuation Date and the historical movement of Bitcoin showing the long-term growth. Having considered the above, the Board is of the view that the forecast of the Bitcoin price adopted in the Valuation is fair and reasonable.

The Directors are of the view that the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole due to the reasons below:

- (a) the Target Group is valued at US\$10,263,000 (equivalent to approximately HK\$80,051,400) but the Consideration is only HK\$75,000,000. This means the Company acquires the Target Group at a discount to the Valuation, which is favourable for the Group.

- (b) the Directors have considered using the price of the Bitcoin mining machines available for sale from the online platform as a reference for determining the Consideration. However, this is not an appropriate reference as the Company acquires the Target Company as an ongoing business with the Super Computing Servers already in operation at a well-equipped site. It is unfair if only the market price of Super Computing Servers is referred to whereas the infrastructure established by the Target Company is not taken into account.

By Order of the Board
Sheen Tai Holdings Group Company Limited
Guo Yumin
Chairman

Hong Kong, 11 December 2024

As at the date of this announcement, the executive Directors are Mr. Guo Yumin, Ms. Xia Yu and Mr. Bai Chaoshun and the independent non-executive Directors are Ms. Fan Qing, Mr. Dai Tin Yau and Mr. Chan Yin Lam.