

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SOLARTECH INTERNATIONAL HOLDINGS LIMITED

星凱控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF 89.62% EQUITY INTEREST IN DONGGUAN XIN BAO FINE CHEMICAL CO., LTD.*

THE EQUITY TRANSFER AGREEMENT

On 24 November 2020 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser, the Vendor Guarantors and the Purchaser Guarantors entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 89.62% equity interest in the Target Company at the consideration of RMB38,000,000 (equivalent to HK\$44,460,000) in cash. The Target Company holds a parcel of land with factory complex thereon in Changping, Dongguan, Guangdong Province, the PRC (中國廣東省東莞市常平鎮).

Following the completion of the Disposal, the Vendor will cease to have any interest in the Target Company, and the Target Company will cease to be a subsidiary of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5%, but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As completion of the Disposal is subject to the terms and conditions of the Equity Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

* For identification purposes only

On 24 November 2020 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser, the Vendor Guarantors and the Purchaser Guarantors entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 89.62% equity interest in the Target Company at the consideration of RMB38,000,000 (equivalent to HK\$44,460,000) in cash.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as below:

Date

24 November 2020

Parties

- (i) The Vendor;
- (ii) the Purchaser;
- (iii) the Vendor Guarantors; and
- (iv) the Purchaser Guarantors.

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

Asset to be disposed of

The asset to be disposed of under the Equity Transfer Agreement shall be the 89.62% equity interest in the Target Company legally and beneficially owned by the Vendor.

Consideration and payment terms

Subject to the terms and conditions of the Equity Transfer Agreement, the consideration of RMB38,000,000 shall be settled in accordance with the following manners and conditions:

- (i) a sum of RMB5,000,000, being the deposit (the “**Deposit**”), shall be paid to the Vendor by the Purchaser within seven business days upon the execution of the Equity Transfer Agreement;

- (ii) a further sum of RMB20,000,000 shall be paid to the Vendor by the Purchaser within ten business days upon completion of (a) the change of industrial and commercial registration for transfer of equity interest under the Equity Transfer Agreement, (b) the registration regarding the changes in legal representative, licences and permits of the Target Company and (c) the transfer of relevant licenses and permits of the Target Company from the Vendor to the Purchaser, provided that all of the aforesaid actions shall be completed by the Vendor within six months upon receipt of the Deposit; and
- (iii) the remaining balance of RMB13,000,000 shall be paid to the Vendor by the Purchaser within ten business days upon the Purchaser receiving the original Certificate of State-owned Land Use Right of the Land (the “**Land Use Certificate**”) from the Vendor.

Basis of determination of the consideration

The consideration for the Disposal was arrived at after arm’s length negotiations between the Vendor and the Purchaser and was determined with reference to (i) the net liability value of the Target Company as at 30 June 2020; (ii) 89.62% of the market value of the Land as appraised by an independent valuer; and (iii) other factors as set out in the paragraph headed “Reasons for and Benefits of the Disposal” below.

Conditions precedent

Completion of the Disposal is subject to and conditional upon the satisfaction in full of the following conditions within six months from the date of Equity Transfer Agreement:

- (i) the Vendor and Changping Branch of the Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行有限公司常平支行) having executed an agreement to discharge the pledge of the Land Use Certificate, and the Vendor having provided relevant discharge documents to the Purchaser;
- (ii) the Company having published an announcement regarding the Equity Transfer Agreement and the transactions contemplated thereunder pursuant to the Listing Rules; and
- (iii) the Vendor and the Company having obtained all necessary consents and approvals for the Disposal and complied with the requirements of the Listing Rules.

In the event that the above conditions cannot be satisfied within six months from the date of the Equity Transfer Agreement, the Purchaser may, at its sole discretion, allow extra time (the “**Grace Period**”) for the Vendor to perform the foregoing. If the above conditions still cannot be satisfied upon expiry of the Grace Period, the Purchaser will be entitled to terminate the Equity Transfer Agreement. The Vendor shall then return any sum received from the Purchaser and shall pay to the Purchaser an amount of liquidated damages of RMB1 million, together with a fund possession fee being an amount equivalent to an interest on the said fee calculated at an interest rate of 15% per annum.

Completion

Following the completion of the Disposal, the Vendor will cease to have any interest in the Target Company and the Target Company will cease to be a subsidiary of the Group.

Termination of the Equity Transfer Agreement

In the event that (i) the Vendor fails to complete the change of industrial and commercial registration for transfer of equity interest within the time stipulated in the Equity Transfer Agreement, or (ii) the Equity Transfer Agreement can no longer be performed due to default of the Vendor, the Purchaser is entitled to terminate the Equity Transfer Agreement, have refund of any amount paid under the Equity Transfer Agreement and receipt of liquidated damages of RMB1 million.

In the event that the Equity Transfer Agreement can no longer be performed due to default of the Purchaser, the Vendor is entitled to terminate the Equity Transfer Agreement and forfeit any amount paid by the Purchaser under the Equity Transfer Agreement.

Save as the incidents set out above or the occurrence of force majeure event, any party which unilaterally terminates the Equity Transfer Agreement is regarded as breach of the agreement and shall be liable for liquidated damages.

GUARANTEES PROVIDED BY THE VENDOR GUARANTORS AND PURCHASER GUARANTORS

The Vendor Guarantors, as Vendor's guarantors, have agreed to accept joint and several responsibilities for the Vendor's obligations and liabilities arising out of the Equity Transfer Agreement.

The Purchaser Guarantors, as Purchaser's guarantors, have agreed to accept joint and several responsibilities for the Purchaser's obligations and liabilities arising out of the Equity Transfer Agreement.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the key financial figures extracted from the audited accounts of the Target Company for the two financial years ended 30 June 2019 and 2020:

	For the financial year ended 30 June	
	2019	2020
	(Audited)	(Audited)
	(Approximately)	(Approximately)
	RMB	RMB
Revenue	–	1,516,875
Net profit/(loss) before taxation	4,663,390	(1,205,512)
Net profit/(loss) after taxation	3,108,661	(670,333)
Net liabilities	(68,937,824)	(69,608,157)

FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP

Following the completion of the Disposal, the Vendor will cease to have any interest in the Target Company and the Target Company will cease to be a subsidiary of 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 RMB3,514,000 (equivalent to approximately HK\$4,111,000), which is based on the difference between (i) the consideration for the Disposal; (ii) the net liability value of the Target Company as at 30 June 2020; (iii) the shareholder's loan and other amount due from the Target Company to the Group to be waived at completion of the Disposal; and (iv) cumulative exchange reserves.

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 liability 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 RMB36,700,000 (equivalent to approximately HK\$42,939,000).

The Company intends to apply the net proceeds of the Disposal for repayment of bank loans and general working capital for the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established under the laws of the PRC on 27 September 2001 with limited liability. As at the date of this announcement, the Target Company is owned as to 89.62% by the Vendor and 10.38% by Luckyman Assets Management Limited (運明資產管理有限公司), a company incorporated in the British Virgin Islands with limited liability and the beneficial owner of which is Mr. Zhou Yaoxiang (周耀祥).

The Target Company is principally engaged in property holding, and it legally holds the Certificate of State-owned Land Use Right in respect of a parcel of land known as Lot No. 1924130100054 located at Songbaitang Village, Changping, Dongguan, Guangdong Province, the PRC (中國廣東省東莞市常平鎮松柏塘村), having a site area of approximately 40,010.40 square meters for industrial use. A factory complex is erected on the Land (the “**Factory Complex**”) with total gross floor area of approximately 13,857.40 square meters, of which approximately 13,368.25 square meters have been leased out by the Target Company.

INFORMATION ON THE GROUP, THE VENDOR AND THE VENDOR GUARANTORS

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

The Vendor is a company incorporated in Hong Kong on 2 March 1984 with limited liability. It is an indirect wholly-owned subsidiary of the Company, and principally engaged in manufacture and trading of cable and wire products and property holding.

The Vendor Guarantors are (i) Mr. Chau Lai Him, an executive Director and the chairman of the Company; (ii) Mr. Chau Chi Ho, an executive Director; (iii) Mr. Fang Yanjun (房燕軍), a tenant of the Group and an Independent Third Party; and (iv) the Target Company.

INFORMATION ON THE PURCHASER AND THE PURCHASER GUARANTORS

The Purchaser is a company established under the laws of the PRC on 13 November 2020 with limited liability. It is owned as to (i) 27% by Mr. Lu Guoxiong (盧國雄), a private investor; (ii) 25% by Dongguan Daotian Investment Co., Ltd. (東莞市道天創業投資有限公司), which engages in business investment and consulting, and whose ultimate beneficial owner is a private investor named as Mr. Feng Xiaotao (馮曉桃); (iii) 24% by Mr. Lu Guojie (盧國杰), a private investor; and (iv) 24% by Mr. Tian Yuwang (田育旺), a private investor. The Purchaser is principally engaged in industrial investment, leasing of properties and factories, and sale of construction materials.

The Purchaser Guarantors are Mr. Lu Weicheng (盧偉成), a family member of Mr. Lu Guoxiong (盧國雄), and Mr. Feng Xiaotao (馮曉桃) as mentioned above, who are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company was principally engaged in the manufacturing and trading of chemical products prior to cessation of these business activities in 2015 due to continuous loss over years.

Since December 2019, the Target Company has leased out the Factory Complex. However, the local real estate market has been adversely affected by the outbreak of COVID-19 and the trend of relocation of manufacturers outside Dongguan, leading to lower transaction volume and liquidity recently.

In addition, the maintenance costs for the aging and obsolete Factory Complex are high. Absence of building ownership certificates (房產證) for several buildings comprising the Factory Complex also makes it more difficult to attract potential buyers and tenants.

Coupled with the said trend of relocation of manufacturers, the Directors are of the view that future returns from leasing the Factory Complex may not be favourable.

Having considered the uncertainty caused by COVID-19 to the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, the Directors consider that the Disposal would allow the Group to save considerable amount of maintenance costs, mitigate the risks of the real estate market and re-allocate its financial resources to better uses.

In view of the above, the Directors consider that (i) the Disposal and the transaction contemplated under the Equity Transfer Agreement are on normal commercial terms; and (ii) the terms of the Equity Transfer Agreement, which are determined after arm's length negotiations between the parties, are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 5%, but are all less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As completion of the Disposal is subject to the terms and conditions of the Equity Transfer Agreement, the Disposal may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 89.62% equity interest in the Target Company by the Vendor pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 24 November 2020 and entered into among the Vendor, the Purchaser, the Vendor Guarantors and the Purchaser Guarantors 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 the People’s Republic of China
“Independent Third Party(ies)”	a party(ies) independent of and not connected with the Company and its connected persons
“Land”	a parcel of land known as Lot No. 1924130100054 located at Songbaitang Village, Changping, Dongguan, Guangdong Province, the PRC (中國廣東省東莞市常平鎮松柏塘村)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Dongguan Taizhou Industrial Investment Co., Ltd.* (東莞市泰舟實業投資有限公司), a company established under the laws of the PRC with limited liability
“Purchaser Guarantors”	collectively, Mr. Lu Weicheng (盧偉成) and Mr. Feng Xiaotao (馮曉桃)
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dongguan Xin Bao Fine Chemical Co., Ltd.* (東莞新寶精化有限公司), a company established under the laws of the PRC with limited liability and is owned as to 89.62% by the Vendor as at the date of this announcement
“Vendor”	Chau’s Electrical Company Limited (周氏電業有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendor Guarantors”	collectively, Mr. Chau Lai Him, Mr. Chau Chi Ho, Mr. Fang Yanjun (房燕軍) and the Target Company
“%”	per cent

In this announcement, 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 announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.17

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

Hong Kong, 24 November 2020

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.