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## **SOLARTECH INTERNATIONAL HOLDINGS LIMITED**

**榮盛科技國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1166)**

### **DISPOSAL OF INTERESTS IN SUBSIDIARIES CONSTITUTING A VERY SUBSTANTIAL DISPOSAL AND RESUMPTION OF TRADING**

**Financial adviser to the Company**



**KINGSTON CORPORATE FINANCE LIMITED**

On 31 December 2009, the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser in relation to the Disposal of the Sale Interests for an aggregate consideration of HK\$30 million. Completion is conditional upon the fulfilment of certain conditions precedent as set out in detail below.

New Universe (whose shares are being sold under the Disposal) and its subsidiaries are principally engaged in the manufacture and trading of power cords, wire harnesses, connectors and terminals in Malaysia, Singapore, the PRC, Thailand and Brazil. Upon Completion, the Company will have divested itself of all its interests in such business. Accordingly, the Company will continue to focus on, and dedicate its resources towards the manufacture and trading of cables and wires and copper products based in the PRC and its mining business based in Mongolia. The Disposal will also generate additional free cash flow for the Group's operations. The Company intends to apply the estimated net proceeds from the Disposal (after payment of expenses associated with the Disposal) of approximately HK\$28 million as general working capital of the Group.

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is subject to Shareholders' approval. A circular containing, among other things, details of the Disposal together with a notice convening the SGM will be despatched to the Shareholders as soon as practicable.

\* For identification purpose only

As required under the Listing Rules and at the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Thursday, 31 December 2009 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Monday, 11 January 2010.

On 31 December 2009, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Sale and Purchase Agreement containing the following terms: –

## **SALE AND PURCHASE AGREEMENT**

**Date:** 31 December 2009

**Parties:**

- (i) The Vendor, an investment holding company wholly-owned by the Company
- (ii) The Purchaser, an investment holding company wholly-owned by Mr. Lau
- (iii) The Company, as guarantor of the Vendor's obligations under the Sale and Purchase Agreement
- (iv) Mr. Lau, as guarantor of the Purchaser's obligations under the Sale and Purchase Agreement

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and Mr. Lau is an Independent Third Party. The Directors noted that Mr. Lau owned 26% of the underwriter of an open offer announced by the Company in December 2008, whilst 74% of that underwriter was owned by Mr. Chau Lai Him, who is the Chairman, the managing Director and a substantial shareholder of the Company. Mr. Lau has confirmed to the Company that he has since 1 August 2009 ceased to have any interest in that underwriter entity. Mr. Lau was also a director of the Company from 4 January 2002 to 31 March 2007. He was involved in the company's acquisition of interests in Brascabos and oversaw the business carried on by the New Universe Group (including Brascabos) as director of the Company. Mr. Lau first approached the Company in respect of the Disposal in early December 2009. Mr. Lau has confirmed to the Company that save as aforesaid, he has no other relationship with the Company or any of its connected persons and he has no understanding or arrangement with Mr. Chau (in his capacity as a substantial shareholder of the Company) with respect to the Disposal.

**Assets to be disposed:**

The Sale Interests.

**Consideration:**

An aggregate of HK\$30,000,000 for the Sale Interests is payable in cash on the Completion Date.

The Consideration was agreed after arm's length negotiations between the Purchaser and the Vendor. The Company took into account (i) the price/historical earnings ratio of approximately 7 times (by reference to the earnings attributable to the Sale Interests for the year ended 30 June 2009) which is close to the price/earning ratios of other listed manufacturing businesses of similar nature, despite the discount to unaudited consolidated net asset value attributable to the Sale Interests, (ii) the resources that the Company will continue to need to dedicate towards the operation and development of the business which is the subject of the Disposal including those located in diverse developing countries if the Disposal does not take place, which would include substantial further investments (expected to be not less than HK\$20 million for the year 2010) towards the expansion and/or automation of existing production lines and replacement of existing machinery which were acquired in the early 1990s and (iii) the relatively heavy tax levy and lack of tax relief on the business located in countries other than the PRC, despite the net profit generated by such business.

**Conditions:**

Completion of the Sale and Purchase Agreement is conditional upon:–

- (i) passing of an ordinary resolution by the Shareholders who are not required to abstain from voting on that resolution under the Listing Rules in the SGM approving the Disposal as may be required under the Listing Rules;
- (ii) completion of the transfer of 5% equity interest in SIT currently held by five other subsidiaries of the Vendor to Stocko Electronics Asia Pacific Pte Ltd (an indirect wholly-owned subsidiary of New Universe); and
- (iii) the receipt by the Purchaser of a copy of a Brazilian legal opinion in a form reasonably satisfactory to the Purchaser opining on (a) that no consent or approval is required for the implementation of the transactions under the Sale and Purchase Agreement from any governmental authority in Brazil, Whirlpool S.A. or Brastemp da Amazonia S.A., (b) the implementation of

the transactions under the Sale and Purchase Agreement would not give rise to a contractual right for Whirlpool S.A. or Brastemp da Amazônia S.A. to terminate the Supplier Sourcing Agreement; and (c) the nature and legality of BCEEAL's right in respect of certain of its property in Brazil.

If the above conditions are not fulfilled or (in the case of (ii) and (iii) only) waived in accordance with the terms of the Sale and Purchase Agreement on or before 30 April 2010 (or such later date as may be agreed between the Vendor and the Purchaser in writing), the Sale and Purchase Agreement will immediately terminate. All rights and obligations of the parties will cease upon such termination except that termination will not affect the then accrued rights and obligations of the parties (including the right to damages for the breach, if any, giving rise to the termination and any other pre-termination breach by any of the parties).

**Post-completion obligations:** New Universe has as its subsidiaries Brascabos and BCEEAL. These companies were acquired by the Company from the Original Sellers pursuant to the Quota Purchase Agreement, further particulars of which are disclosed in the Company's announcement and circular dated 2 June 2006 and 26 June 2006 respectively. The Quota Purchase Agreement contains certain post-completion obligations on the part of the Company in its capacity as purchaser. On 31 July 2006, the Supplier Sourcing Agreement was entered into between Brascabos, Whirlpool S.A. and Brastemp da Amazônia S.A. pursuant to which Whirlpool S.A. and Brastemp da Amazônia S.A. undertook to purchase from Brascabos 100% of their requirements for certain materials used in their manufacture process in South America (so long as Brascabos is able to meet the relevant product specifications) exclusively for four years and, depending on competitive performance (in terms of prices, quality and other performance criteria), for a further year (automatically renewable thereafter for successive periods of one year each, unless at least 90 days' prior written notice is given by any party to the Supplier Sourcing Agreement).

Given that the Disposal will result in the sale of the Company of its interests in Brascabos, the parties have agreed in the Sale and Purchase Agreement that the rights of the Company under the Quota Purchase Agreement be assigned to the Purchaser upon Completion.

In addition, the following undertakings were given by the parties under the Sale and Purchase Agreement:–

- (i) The Company has undertaken to continue to comply with the obligation to make due payment of any outstanding amount of the Purchase Price (as defined in the Quota Purchase Agreement) in accordance with the terms and conditions under the Quota Purchase Agreement following Completion. The remaining balance of the Purchase Price of US\$875,000 is payable by 31 July 2010 pursuant to the Quota Purchase Agreement.
- (ii) The Company has undertaken that on and after Completion it will not without the Purchaser's consent waive any covenants, obligation, conditions or restrictions, give any consent, or agree to any amendment or variation to any of the provisions under the Quota Purchase Agreement.
- (iii) The Company and the Vendor jointly and severally undertake to procure the trademark "Brascabos" and the domain names "brascabos.com" and "brascabos.net" be registered under the name of Brascabos within 3 months after Completion.
- (iv) Each of Mr. Lau and the Purchaser has agreed to continue to comply with certain obligations under the Quota Purchase Agreement after Completion as if they were parties thereto with effect from the Completion Date and to indemnify and keep indemnified the Company and the Vendor from and against any actions, claims or complaints made by the Original Sellers arising from or in connection with (x) any non-compliance or breach or non-performance by Mr. Lau, the Purchaser, Brascabos or BCEEAL of such obligations or (y) any tax that arises with respect to the operation of Brascabos and BCEEAL after the Completion Date. Such obligations include (a) (for so long as the Supplier Sourcing Agreement is in effect but in any event up to 31 July 2011) to retain such number of employees in Brascabos and BCEEAL as is commercially reasonable, to maintain and honour payments under the benefit plans for the Brascabos employees, to maintain certain insurance coverage, (b) (for a period up to and including 31 July 2013) to preserve and keep in possession records of Brascabos and BCEEAL for the defence by the Original Sellers of any audit, examination, administrative appeal

or litigation in relation to taxation, and not to take any action without express written consent from the Original Sellers to cause Brascabos to accrue or pay liability for any tax obligation arising subsequent to the Company's acquisition of Brascabos but related to any tax period ending on or before such acquisition, and (c) (so long as the Supplier Sourcing Agreement is in effect) to invest in Brascabos to the extent necessary to meet all the requirements established in the Supplier Sourcing Agreement.

## **INFORMATION ON NEW UNIVERSE AND BRASCABOS**

New Universe is an investment holding company and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Its subsidiaries (including Brascabos and BCEEAL) are principally engaged in the manufacture and trading of power cords and wire harnesses in Malaysia, the PRC, Thailand, Singapore and Brazil.

Brascabos is an indirect wholly-owned subsidiary of the Company as at the date of this announcement, owned as to 90% by a wholly-owned subsidiary of New Universe and as to 10% by the Vendor. Brascabos and its subsidiary BCEEAL are principally engaged in the manufacture and trading of power cords and wire harnesses for large electrical home appliances and automotive parts in Brazil.

Based on the unaudited consolidated balance sheet of New Universe (in which the net asset values of Brascabos and BCEEAL are consolidated) which were prepared in accordance with generally accepted accounting principles in Hong Kong, the unaudited consolidated net asset value of New Universe as at 30 June 2009 was approximately HK\$86,772,000.

Based on the unaudited consolidated profit and loss account of New Universe (in which the results of Brascabos and BCEEAL are consolidated), which were prepared in accordance with generally accepted accounting principles in Hong Kong, the unaudited consolidated net profit (before and after taxation) for the financial years ended 30 June 2008 and 30 June 2009 were as follows:

	<b>For the year ended 30 June</b>	
	<b>2008</b>	<b>2009</b>
	<i>Approximately</i>	<i>Approximately</i>
	<i>HK\$</i>	<i>HK\$</i>
Consolidated net profit before taxation	41,535,000	23,363,000
Consolidated net profit after taxation	20,220,000	4,380,000

Upon Completion, each of New Universe and Brascabos will cease to be a subsidiary of the Company.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Based on the unaudited consolidated net asset value of New Universe as at 30 June 2009, the Company expects to record a loss on disposal of approximately HK\$56 million (being the difference between the consideration of HK\$30,000,000 and the unaudited consolidated net asset value of New Universe of approximately HK\$86,772,000 as at 30 June 2009). Shareholders should note that the actual gain or loss on Disposal to be recorded by the Company will depend on the consolidated net asset value of New Universe as at the Completion Date.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Company is an investment holding company. Immediately before Completion, its subsidiaries are principally engaged in the business of manufacture of and trading in cables and wires, copper products, connectors and terminals and mining business.

New Universe (whose shares are being sold under the Disposal) is an investment holding company and its subsidiaries are principally engaged in the manufacture and trading of power cords, wire harnesses, connectors and terminals in Malaysia, Singapore, the PRC, Thailand and Brazil. If the Disposal does not take place, it is expected that the Company will need to continue to dedicate resources towards the operation and development of such business including those located in diverse developing countries, which would include substantial further investments as mentioned above. Further, given the relatively heavy tax levy and lack of tax relief on the business located in countries other than the PRC, such business generated only a net profit after taxation of approximately HK\$4,380,000 for the year ended 30 June 2009. Upon Completion, the Company will have divested itself of all its interests in such business. Accordingly, the Company will continue to focus on, and dedicate its resources towards the manufacture and trading of cables and wires and copper products based in the PRC and its mining business based in Mongolia. As at the date of this announcement, the Company and the Board have no other agreement, understanding, negotiation nor intention to dispose of or downsize such business.

Although the consideration of HK\$30,000,000 represents a discount to the unaudited consolidated net asset value of HK\$86,772,000 attributable to the Sale Interests as at 30 June 2009, the Directors note that such net asset value includes a goodwill of approximately HK\$23,400,000 arisen from the acquisition of Brascabos in 2006, and that the book value of the assets (primarily consisted of plants and machinery) which given the age of such plant and machinery can be considerably higher than the market value of such assets.

The Disposal will generate additional free cash flow for the Group's operations. The Company intends to be apply the estimated net proceeds from Disposal (after payment of expenses associated with the transaction) of approximately 28 million as general working capital of the Group.

In view of the above, the Directors (including the Independent Non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable, and the entering into the Sale and Purchase Agreement is in the interest of the Company and the Shareholders as a whole.

The Company is reviewing and considering whether the employment of any Director and/or senior management of the Company whose primary responsibility is to oversee the business carried on by the New Universe Group will be redeployed or otherwise upon or after Completion.

## **GENERAL**

As the Disposal constitutes a very substantial disposal for the Company under the Listing Rules, it is subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is materially interested in the Disposal and therefore required to abstain from voting on the resolution approving the Disposal at the SGM. A circular containing, among other things, details of the Disposal and a notice convening the SGM of the Company will be despatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING OF SHARES**

As required under the Listing Rules and at the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on Thursday, 31 December 2009 pending release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on Monday, 11 January 2010.

## **DEFINITIONS**

The following terms are used in this announcement with the meanings assigned to them below:

“BCEEAL”	Brascabos Componentes Elétricos e Eletrônicos da Amazônia Ltda., a Brazilian limited liability company, owned as to 99.99% by Brascabos and as to 0.01% by a wholly-owned subsidiary of New Universe
“Board”	the board of Directors
“Brascabos”	Brascabos Componentes Elétricos e Eletrônicos Ltda., a Brazilian limited liability company, owned as to 90% by a wholly-owned subsidiary of New Universe and as to 10% by the Vendor as at the date of this announcement
“Company”	Solartech International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Completion Date”	the day on which completion of the Sale and Purchase Agreement shall take place, being the fifth business day following the satisfaction of the conditions precedent under the terms of the Sale and Purchase Agreement (or such other date as the Vendor and the Purchaser may agree in writing)



“Director(s)”	Director(s) of the Company
“Disposal”	the disposal of the Sale Interests pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Third Party”	third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. Lau Man Tak
“New Universe”	New Universe Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“New Universe Group”	New Universe and its subsidiaries
“Original Sellers”	Whirlpool S.A. and Brasmotor S.A.
“Purchaser”	Perfect Asset Investments Limited
“Quota Purchase Agreement”	the quota purchase agreement dated 30 May 2006 entered into by the Company in respect of the acquisition of the equity interests in Brascabos, which is the subject of the Company’s announcement and circular dated 2 June 2006 and 26 June 2006 respectively
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 31 December 2009 entered into between the Vendor, the Purchaser, the Company and Mr. Lau in respect of the Disposal
“Sale Interests”	the entire issued share capital in New Universe (which indirectly holds 90% of equity interests in Brascabos) and 10% of the equity interest in Brascabos
“SGM”	the special general meeting of the Company be convened to approve, amongst other things, the Disposal
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“SIT”	SIT Electronics Company Limited, a limited liability company in Thailand and is owned as to 95% by two direct/indirect wholly-owned subsidiaries of New Universe and as to 5% by other five wholly-owned subsidiaries of the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier Sourcing Agreement”	the Supplier Sourcing Agreement dated 31 July 2006 entered into between Brascabos, Whirlpool S.A. and Brastemp da Amazônia S.A.
“Vendor”	Chau’s Industrial Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

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

Hong Kong, 8 January 2010

*As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Liu Jin Rong, Mr. Ho Pang Cheng Vincent and Mr. Chan Sio Keong and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming.*