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## **SOLARTECH INTERNATIONAL HOLDINGS LIMITED**

**星凱控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1166)**

### **DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 51% EQUITY INTEREST IN HENAN SHENGXIANG INDUSTRY CO., LTD.#**

#### **THE EQUITY TRANSFER AGREEMENT**

The Board announces that, on 9 February 2017, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 51% equity interest in the Target Company (representing the entire interest of the Target Company held by the Vendor) at the consideration of RMB8,200,000 (equivalent to approximately HKD9,233,000) in cash.

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.

#### **LISTING RULES IMPLICATIONS**

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.

\* *For identification purposes only*

The Purchaser is a director and minority shareholder of the Target Company and thus a connected person of the Company at the subsidiary level. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On 9 February 2017, the Directors (including the independent non-executive Directors) have approved the Disposal, and independent non-executive Directors have also confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, the Disposal is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

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

The Board announces that, on 9 February 2017, the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 51% equity interest in the Target Company (representing the entire interest of the Target Company held by the Vendor) at the consideration of RMB8,200,000 (equivalent to approximately HKD9,233,000) in cash.

## **THE EQUITY TRANSFER AGREEMENT**

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

### **Date**

9 February 2017

### **Parties**

- (i) The Vendor; and
- (ii) the Purchaser

The Purchaser is a director and minority shareholder of the Target Company, holding 39% equity interest in the Target Company as at the date of this announcement. Therefore, the Purchaser is regarded as a connected person of the Company at the subsidiary level under the Listing Rules.

### **Asset to be disposed of**

The asset to be disposed of under the Equity Transfer Agreement shall be the 51% equity interest in the Target Company legally and beneficially owned by the Vendor.

## Consideration and payment terms

The consideration of RMB8,200,000 (equivalent to approximately HKD9,233,000) shall be satisfied in the following manners:

- (i) a sum of RMB4,250,000 (equivalent to approximately HKD4,785,000), being the deposit of the consideration, shall be payable to the Vendor within three Business Days upon the execution of the Equity Transfer Agreement. The initial deposit received by the Vendor shall be non-refundable to the Purchaser whether the Completion takes place in accordance with the Equity Transfer Agreement or not; and
- (ii) the remaining balance of the consideration in the sum of RMB3,950,000 (equivalent to approximately HKD4,448,000) shall be satisfied in cash within three Business Days upon completion of the update and registration with the industry and commerce administration bureau in respect of the Disposal, which, in any event, shall be completed within one month upon the execution of the Equity Transfer Agreement.

## Basis of determination of the consideration

The consideration for the Disposal was determined after arm's length negotiation between the Purchaser and the Vendor taking into account various factors, amongst others, (a) the capital previously injected by the Vendor to the Target Company; (b) the audited net assets of the Target Company as at 30 June 2016; and (c) other factors as set out in the paragraph headed "Reasons for and Benefits of the Disposal".

## Completion

Completion shall take place on the date on which 51% equity interest in the Target Company having been transferred from the Vendor to the Purchaser, and the update and registration with the industry and commerce administration bureau having been completed.

Following the Completion, 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.

## 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 2016 and 30 June 2015:

	For the financial year ended 30 June	
	2016 (Audited) <i>(approximately)</i> HKD	2015 (Audited) <i>(approximately)</i> HKD
Net profit/(loss) before taxation	(2,545,000)	3,000,000
Net profit/(loss) after taxation	(2,963,000)	2,198,000
Net Assets	18,470,000	22,844,000

## **FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP**

Following the Completion, the Company 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 loss arising from the Disposal to be recognised by the Group in its consolidated income statement is estimated at approximately HKD187,000, which is based on the difference between (i) the consideration for the Disposal; and (ii) the net asset value of the Target Company as at 30 June 2016.

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 asset 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, being receivable by the Vendor on completion, will be approximately RMB8 million (after deducting transaction costs and expenses) (equivalent to approximately HKD9,008,000).

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

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated under the laws of the PRC on 22 December 1999 with limited liability and a subsidiary owned as to 51% by the Vendor as at the date of this announcement. The Target Company is principally engaged in trading of metallurgical grade bauxite.

## **INFORMATION ON THE GROUP, THE VENDOR AND THE PURCHASER**

The Group is principally engaged in the manufacture and trading of cables and wires, manufacture and trading of copper rods, trading of metallurgical grade bauxite, investment properties, trading of securities, provision of financing and management service and holding of mining right and exploration and evaluation assets.

The Vendor is an indirectly wholly-owned subsidiary of the Company and is principally engaged in the manufacture and trading of copper products and trading of metallurgical grade bauxite.

The Purchaser is a director and minority shareholder of the Target Company, holding 39% equity interest in the Target Company as at the date of this announcement. The Purchaser is engaged in the operation and management of the Target Company.

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

The Target Company is principally engaged in trading of metallurgical grade bauxite, commodities of which were mainly imported from Malaysia. Due to pollution caused by mining of bauxite to the environment, the local authority in Malaysia imposed a moratorium on bauxite mining in early 2016 in an attempt to regulate mining practices and tackle water pollution. The moratorium led to a substantial decrease in the trading volume of bauxite commodities of the Target Company after its enforcement.

As the Directors expect that the said moratorium would have continuous adverse effect on our trading volume and the prospect of our metallurgical grade bauxite trading business, the Directors consider that the Disposal would allow the Group to re-allocate its financial resources to other businesses with better prospect.

In view of the above, the Directors (including the independent non-executive 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 Vendor and the Purchaser, are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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.

The Purchaser is a director and minority shareholder of the Target Company and thus a connected person of the Company at the subsidiary level. The Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On 9 February 2017, the Directors (including the independent non-executive Directors) have approved the Disposal, and independent non-executive Directors have also confirmed that the terms of the Equity Transfer Agreement are fair and reasonable, the Equity Transfer Agreement is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, the Disposal is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors have a material interest in the Equity Transfer Agreement and the Disposal, and none of the Directors have abstained from voting on the resolutions approving the Equity Transfer Agreement and the Disposal.

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

## DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong) on which licensed banks in Hong Kong are generally open for business
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 51% equity interest in the Target Company by the Vendor pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 9 February 2017 and entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Mr. Zhou Wei, being a director and minority shareholder of the Target Company, holding 39% equity interest in the Target Company as at the date of this announcement, and the connected person of the Company at the subsidiary level under the Listing Rules

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of Shares
“Shares”	ordinary shares of par value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Henan Shengxiang Industry Co., Ltd.# (河南盛祥實業有限公司), a company incorporated under the laws of the PRC with limited liability and was owned as to 51% equity interest by the Vendor as at the date of this announcement
“Vendor”	Dongguan Hua Yi Brass Products Co., Ltd.# (東莞華藝銅業有限公司), a company incorporated under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 9 February 2017

*For the purpose of this announcement, the exchange rate at RMB1.00 = HK\$1.126 has been used, where applicable, for the purpose of illustration only.*

*As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Liu Dong Yang and Mr. Chau Chi Ho and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming.*

*# All of the English titles or names of the PRC entities, as well as certain items contained in this announcement have been included for identification purpose only. If there is any inconsistency, the Chinese titles or names shall prevail.*