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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 IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN CHINA GLORY MANAGEMENT LIMITED

THE SALE AGREEMENT

The Board wishes to announce that, on 15 October 2016, the Vendor (a wholly-owned subsidiary of the Company) entered into the Sale Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at the consideration of HK\$140,000,000 in cash.

The Sale Share represents the entire issued share capital of the Target Company, which holds the entire issued share capital of the HK Company and the entire interest in the Operating Company, which in turn is the legal and beneficial holder of the land use rights in respect of the Land.

Following the completion of the Disposal, the Company will cease to have any interest in the Target Group.

LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 5% but all of them are below 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 but is exempted from the Shareholders' approval requirements under the Listing Rules.

* For identification purposes only

THE SALE AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF A NUMBER OF CONDITIONS PRECEDENT. THEREFORE THE DISPOSAL MAY OR MAY NOT PROCEED. INVESTORS AND SHAREHOLDERS ARE ADVISED TO EXERCISE CAUTION IN DEALING IN THE COMPANY'S SECURITIES.

The Board wishes to announce that, on 15 October 2016, the Vendor (a wholly-owned subsidiary of the Group) entered into the Sale Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company, at the consideration of HK\$140,000,000 in cash.

THE SALE AGREEMENT

The principal terms of the Sale Agreement are summarized as below:

Date

15 October 2016

Parties

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

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Purchaser and its ultimate shareholder(s) is a third party independent of the Company and its connected persons.

Assets to be disposed

Pursuant to the Sale Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Share, representing the entire issued share capital of the Target Company, which holds the entire issued share capital of the HK Company and the entire interest in the Operating Company, which in turn is the legal and beneficial holder of the land use rights in respect of the Land. The industrial complex erected on the Land together with the tenancy will be transferred to the Purchaser on an as-is basis.

Consideration and payment terms

The consideration of HK\$140,000,000 payable shall be satisfied in the following manners:

- (i) a sum of HK\$5,000,000, being a deposit of the consideration, shall be payable to the Vendor within ten Business Days upon the execution of the Sale Agreement. The initial deposit shall be non-refundable to the Purchaser notwithstanding the completion of the Disposal does not take place in accordance with the Sale Agreement; and
- (ii) the remaining balance of the consideration in the sum of HK\$135,000,000 shall be satisfied in cash upon the date of completion.

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 carrying value of the Target Group and the Land; (b) a valuation report on the Land in its existing status as of 30 June 2016 with the current market value of RMB104,700,000 (equivalent to approximately HK\$122,284,000) prepared by an independent valuer; (c) the audited net assets of the Target Group of HK\$44,710,000 as at 30 June 2016, the total amount of a shareholder's loan for the Target Group of approximately HK\$60,900,000 and a loan of approximately HK\$8,500,000 due to a fellow subsidiary of the HK Company provided by the Vendor previously to be waived at completion of the Disposal; and (d) other factors as set out in the paragraph headed "Reasons for and Benefits of the Disposal".

Having considered the above, the Directors are of the view that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion is conditional upon satisfaction of the following conditions being satisfied or (if applicable) waived by the Purchaser on or before the Long Stop Date:

- (i) the Purchaser having satisfied with and accepted the due diligence results on the Target Group (including but not limited to the legal, finance and commercial);
- (ii) the guarantee and security provided by the Operating Company, being the collateral for a loan facility provided to the Group having been released and discharged in full;
- (iii) all warranties contained in the Sale Agreement having remained true and accurate in all material respects at completion as if repeated at completion and at all times between the date of the Sale Agreement and completion.

If the above conditions have not been fulfilled or waived on or before the Long Stop Date, the Sale Agreement will be immediately terminated, whereupon the relevant rights and obligations of all parties under the Sale Agreement shall have no further force and effect.

Completion

Completion shall take place on the fifth (5th) Business Day following the day on which all conditions set out in the section headed “Conditions precedent” above are fulfilled or waived by the Purchaser (as the case may be).

FINANCIAL INFORMATION OF THE TARGET GROUP

The following are the consolidated financial information on the Target Group for the two years ended 30 June 2016 and 30 June 2015:

	For the financial year ended 30 June	
	2016 (audited) <i>(approximately)</i>	2015 (audited) <i>(approximately)</i>
Net profit/(loss) before taxation	HK\$3,707,000	HK\$9,905,000
Net profit/(loss)loss after taxation	HK\$3,707,000	HK\$8,245,000
Net Assets	HK\$44,710,000	HK\$49,607,000

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

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

Based on the existing information available to the Company, the expected gain arising from the Disposal to be recognized by the Group in its consolidated income statement is estimated at approximately HK\$25,890,000, which is based on the difference between (a) the consideration for the Disposal; and (b) the net asset value of the Target Group as at 30 June 2016 and the total amount of a shareholder’s loan for the Target Group of approximately HK\$60,900,000 and a loan of approximately HK\$8,500,000 due to a fellow subsidiary of the HK Company provided by the Vendor previously to be waived at completion of the Disposal.

The above calculation and accounting treatment are subject to review by the auditors of the Group. The actual financial impact 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 Group as at the date to which completion accounts are drawn up.

USE OF PROCEEDS

It is expected that the aggregate net cash proceeds of the Disposal receivable by the Vendor on completion will be approximately HK\$140 million, before deducting transaction costs and expenses.

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

INFORMATION ON THE TARGET GROUP AND THE LAND

The Target Company is a company incorporated in the BVI on 1 October 1997 with limited liability and a wholly-owned subsidiary of the Vendor. The Target Company is principally engaged in investment holding of the Hong Kong Company.

The HK Company is a company incorporated in Hong Kong on 19 January 1990 with limited liability and a wholly-owned subsidiary of the Target Company. The HK Company is principally engaged in investment holding of the Operating Company and the Land.

The Operating Company is a wholly foreign owned enterprise established in the PRC on 3 August 1994 with registered capital of HK\$64 million which was full paid up. The Operating Company is principally engaged in manufacturing and trading of cables and wires for use in household electrical appliances, electronic products, and digital camera. The Operating Company is the registered and beneficial owner of the Land located at Qiaozi Road, Qiaozi Village, Changping Town, Dongguan City, Guangdong Province, the PRC, having a site area of approximately 72,292 square meters with an industrial complex with a total gross floor area of approximately 91,095 square meters erected thereon. The land use right of the Land was granted for a term expiring on 24 December 2048 for industrial use. As at the date of this announcement, part of the units of the industrial complex were leased for various terms, with the latest expiring on 31 May 2021, at a total monthly rental of approximately RMB500,000 (approximately HK\$580,000).

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is principally engaged in the are 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 a wholly-owned subsidiary of the Company and is an investment holding company.

The Purchaser is a company incorporated in the BVI with limited liability. The principal business activity of the Purchaser is investment.

REASONS AND BENEFITS FOR THE DISPOSAL

The Land is designated for industrial use under the terms of the existing land grant contract. The management of the Company have noted that the maintenance costs of the industrial complex erected on the Land has being increased due to the higher standard on the environmental protections under the relevant regulations in the PRC. The Board has expected that in long run, it would incur substantial costs if the industrial complex has to be renovated or improved to meet the said requirements. Further, the Disposal allows the Group to receive the total amount of the present value of the Land with a premium.

In view of the above, the Directors consider that the terms of the Sale Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since certain of the applicable percentage ratios of the Disposal exceed 5% but are less than 25%, the Disposal will constitute a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

THE SALE AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF A NUMBER OF CONDITIONS PRECEDENT. THEREFORE THE DISPOSAL MAY OR MAY NOT PROCEED. INVESTORS AND SHAREHOLDERS ARE ADVISED TO EXERCISE CAUTION IN DEALING IN THE COMPANY'S SECURITIES.

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
“BVI”	the British Virgin Islands
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“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 the Sale Share by the Vendor pursuant to Sale Agreement
“Group”	the Company and its subsidiaries
“HK Company”	Santai Electronics Company Limited 三泰電子有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned company of the Target Company
“HK\$”	Hong Kong dollar, 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 located at Qiaozi Road, Qiaozi Village, Chang Ping Town, Dongguan City, Guangdong Province, the PRC, having a site area of approximately 72,292 square meters and an industrial complex with a total gross floor area of approximately 91,095 square meters erected thereon
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date on which 12 months after the date of the Sale Agreement (or such other date as the Vendor and the Purchaser may agree)
“Operating Company”	東莞三泰電器有限公司 (for identification purpose only, in English, Dongguan Santai Electronics Company Limited), as at the date of this announcement, a wholly foreign owned enterprise established in the PRC with limited liability
“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”	Key State Global Limited 正邦環球有限公司, a company incorporated in the BVI with limited liability and wholly owned by an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Agreement”	the conditional sale and purchase agreement dated 15 October 2016 entered into between the Vendor and the Purchaser in relation to the Disposal

“Sale Share”	one ordinary share of par value of US\$1 each in the share capital issued by the Target Company, representing the entire share capital of the Target Company
“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”	China Glory Management Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Vendor
“Target Group”	the Target Company, the HK Company and the Operating Company
“Vendor”	Chau’s Industrial Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent.

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.16. The exchange rate has been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 16 October 2016

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.