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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 ACQUISITION OF 17% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE AGREEMENT

The Board is pleased to announce that, on 8 March 2019 (after trading hours), the Purchaser, the Vendor and the Company entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 17% of the issued share capital of the Target Company at the Consideration of HK\$15,000,000, which shall be settled by cash and by way of the issue of the Promissory Note.

Upon Completion, the Group will hold 17% of the entire issued share capital of the Target Company, which indirectly holds the business of the Operating Company. The Target Group and their financial results will not be consolidated into the Group's consolidated financial statements.

LISTING RULES IMPLICATIONS

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

* For identification purposes only

INTRODUCTION

The Board is pleased to announce that, on 8 March 2019 (after trading hours), the Purchaser, the Vendor and the Company entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 17% of the issued share capital of the Target Company, at the Consideration of HK\$15,000,000, which shall be settled by cash and by way of the issue of the Promissory Note.

THE AGREEMENT

Summarised below are the principal terms of the Agreement:

Date: 8 March 2019 (after trading hours)

Parties: (a) the Vendor;
(b) the Purchaser; and
(c) the Company.

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

Nature of the transaction and assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 17% of the issued share capital of the Target Company at the Consideration. Upon Completion, the Target Company will be owned as to 17% by the Group, and 83% by the Vendor.

Consideration and payment terms

The total Consideration of HK\$15,000,000 shall be satisfied in the following manners:

- (a) a sum of HK\$10,000,000 shall be paid to the Vendor in cash upon Completion; and
- (b) the remaining balance of the Consideration in the sum of HK\$5,000,000 shall be settled by way of the issue of the Promissory Note in favour of the Vendor by the Company upon Completion.

The Promissory Note will be of principal amount of HK\$5,000,000 with a 24-month term at 6% interest per annum in favour of the Vendor. The Company may at its discretion early redeem a part of or the whole outstanding amount under the Promissory Note within the term of the Promissory Note.

The Consideration will be funded by the Group's internal resources and external financing through bank borrowing and/or other alternative means as the Directors may deem appropriate.

Basis of Consideration

The Consideration for the Sale Shares was determined after arm's length negotiation between the Purchaser and the Vendor taking into account various factors, amongst others, (a) the financial performance, business growth and prospects of the Operating Company; (b) the increasing demand for home furnishing lighting appliances and LED lighting products due to the growth of middle-income population in the PRC; (c) a valuation on 17% equity interest in Vietta Investment of approximately HK\$16,713,570 as of 31 December 2018 conducted by an independent valuer appointed by the Purchaser using market approach with the comparison of 15 companies which are engaged in similar business and are actively traded and publicly listed on the Stock Exchange and the stock exchanges in the PRC. As the Target Company, Vietta Investment and Jiangmen Jianhui were newly incorporated and had no material assets and liabilities, apart from the investments in the Operating Company as at the valuation date of 31 December 2018, the Operating Company has been the main subject for the investigation and analysis under the valuation; and (d) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition".

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 all of the following conditions being satisfied or (if applicable) waived by the Purchaser (except items (b) and (c) which cannot be waived) on or before the Long Stop Date:

- (a) the Purchaser having been satisfied with the due diligence results on the Target Group (including but not limited to the legal, financial and commercial aspects);
- (b) a valuation report having been prepared by an independent valuer (according to the international standard) confirming that the value of the Sale Shares is not less than HK\$15,000,000;
- (c) the Vendor having provided the audited financial statements for the financial year ended 31 December 2018 of the Operating Company; and
- (d) all warranties contained in the 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 Agreement and Completion.

If any of the above conditions has not been fulfilled or waived on or before the Long Stop Date, neither the Purchaser nor the Vendor shall be obliged to proceed with the Completion and the Agreement shall be terminated and be of no further effect, whereupon the relevant rights and obligations under the Agreement shall have no further force and no party to the Agreement shall have any liability under them, save for any antecedent breaches or accumulated rights.

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).

Upon Completion, the Company will indirectly hold 17% of the issued share capital of the Target Company, which indirectly holds the business of the Operating Company. Each member of the Target Group and their financial results will not be consolidated into the Group’s financial statement.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI on 8 January 2019 with limited liability, of which 50,000 ordinary shares have been issued and fully paid-up making up the share capital of US\$50,000. The Target Company is principally engaged in investment holding.

Vietta Investment is a company incorporated in Hong Kong on 14 August 2018 with limited liability, of which one ordinary share has been issued and held by the Target Company. Vietta Investment is principally engaged in investment holding.

Jiangmen Jianhui is a wholly foreign owned enterprise and a limited liability company established under the laws of the PRC incorporated on 28 September 2018 with registered capital of RMB500,000 which has been not paid up. Jiangmen Jianhui is principally engaged in investment holding.

The Operating Company is a limited liability company under the laws of the PRC incorporated on 17 January 2011 with registered capital of RMB2,000,000 which was fully paid-up. The Operating Company is principally engaged in the research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC.

Upon Completion, the Target Group will be owned as to 17% by the Group and 83% by the Vendor respectively.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the financial information of the following companies under the Target Group:

- (a) the consolidated financial information of Vietta Investment, Jiangmen Jianhui and the Operating Company as extracted from its management accounts ended 31 December 2018 (unaudited):

	For the financial year ended 31 December 2018 (unaudited) (approximately)
Net profit before taxation	HK\$9,087,000
Net profit after taxation	HK\$7,724,000
Total assets	HK\$49,615,000
Net Assets	HK\$9,158,000

- (b) the financial information of the Operating Company as extracted from its accounts ended 31 December 2017 (audited):

	For the financial year ended 31 December 2017 (audited) (approximately)
Net profit before taxation	RMB886,000
Net profit after taxation	RMB664,000
Total assets	RMB18,792,000
Net Assets	RMB3,314,000

As the Target Company was newly incorporated in January 2019 and is principally engaged in investment holding, it had no material assets and liabilities on their accounts as of the date of this announcement.

INFORMATION ON THE GROUP

The Group is principally engaged in the cables and wires business, copper rod business, metallurgical grade bauxite trading business, property investment business, mining business, securities business and advertising business.

The Purchaser is an indirectly wholly-owned subsidiary of the Company and is an investment holding company.

INFORMATION OF THE VENDOR

The Vendor is company established in the BVI on 9 January 2019 and is wholly owned by an Independent Third Party. The Vendor holds the entire issued share capital of the Target Company as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the cables and wires business, copper rod business, metallurgical grade bauxite trading business, property investment business, mining business, securities business and advertising business.

As disclosed in the annual report of the Company for the financial year ended 30 June 2018, the Group intends to achieve a balanced development through diversified development with the existing business to increase Shareholders' values and create room for sustainable development of the Group.

With that goal in mind, the Group has been actively exploring business opportunities to engage in new lines of business with growth potential and broaden its income stream in order to achieve diversified and sustainable development. The Target Group is engaged in the research, development, processing and sales of home furnishing lighting appliances, LED lighting products and other electrical materials and parts for various electrical appliances in the PRC. The Directors are of the view that the Acquisition could help further diversify the Group's business and will expand and create synergy effect with the Group's existing business. The Directors further consider that the business of manufacturing low-carbon lighting products in the PRC has shown growth potential and expect that the diversification of the income stream will boost the Shareholders' value and benefit the Company and the Shareholders.

In view of the above, the Directors consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and the Acquisition 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 Acquisition exceed 5%, but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules, and is therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As the Completion is subject to the fulfillment (or waiver, if applicable) of the conditions precedent, the Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the proposed sale and purchase of the Sale Shares pursuant to Agreement
“Agreement”	the conditional sale and purchase agreement dated 8 March 2019 entered into between the Company, the Purchaser and the Vendor in relation to the Acquisition
“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 and the PRC 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
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$15,000,000 being the total consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“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

“Jiangmen Jianhui”	江門市健輝照明科技有限公司(Jiangmen Jianhui Lighting Technology Company Limited*), a limited liability company established under the laws of PRC, and wholly owned by Vietta Investment
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2019 (or such other date as the Company and the Vendor may agree)
“Operating Company”	江門市博林照明科技有限公司(Jiangmen Bolin Lighting Technology Company Limited*), a limited liability company established under the laws of PRC, and wholly owned by Jiangmen Jianhui
“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
“Promissory Note”	means the 24-month maturity 6% interest per annum transferable promissory note with principal face value of HK\$5,000,000 to be issued by the Company in favour of the Vendor
“Purchaser”	Kadesh Resources Limited, a company incorporated in the BVI with limited liability and an indirectly wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	8,500 ordinary shares in the capital of the Target Company, representing 17% of 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”	Ocean Pride Ventures Limited 驕洋創投有限公司, a company incorporated in the BVI with limited liability

“Target Group”	the Target Company, Vietta Investment, Jiangmen Jianhui and the Operating Company
“US\$”	the United States Dollars, the lawful currency of the United States of America
“Vendor”	Sonic Sunway Limited, a company incorporated in the BVI with limited liability
“Vietta Investment”	Vietta Investment Holdings Limited 維拓投資控股有限公司, a company incorporated in Hong Kong with limited liability and wholly owned by the Target Company
“%”	per cent.

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

Hong Kong, 8 March 2019

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.17. 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.

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

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