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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 – DEEMED DISPOSAL OF EQUITY INTEREST IN A WHOLLY-OWNED SUBSIDIARY

THE COOPERATION AGREEMENT

On 14 March 2019 (after trading hours), Dongguan Qiaozi and Gongxiao Waimao entered into the Cooperation Agreement, pursuant to which the registered capital of Dongguan Yunxin will be increased from RMB3 million (approximately HK\$3.51 million) to approximately RMB66.67 million (approximately HK\$78.00 million), and Dongguan Qiaozi and Gongxiao Waimao agreed to make a capital commitment in cash of approximately RMB31.00 million (approximately HK\$36.27 million) and RMB32.67 million (approximately HK\$38.22 million) to Dongguan Yunxin respectively. Balance of the registered capital of RMB63.67million (approximately HK\$74.49 million) shall be paid up before 31 December 2038. Upon completion of the Capital Increase, the equity interest of Dongguan Qiaozi in Dongguan Yunxin will be diluted from 100% to 51% and Dongguan Yunxin will be held as to 51% by Dongguan Qiaozi, as to 49% by Gongxiao Waimao.

LISTING RULES IMPLICATIONS

Following the completion of the Capital Increase, the Group's equity interest in Dongguan Yunxin will be diluted and regarded as a Deemed Disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) under each of the Capital Increase and Deemed Disposal exceed 5%, but are all less than 25%, the Deemed Disposal and the Capital Increase constitute a discloseable transaction for the Company under the Listing Rules, and are 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 14 March 2019 (after trading hours), Dongguan Qiaozi and Gongxiao Waimao entered into the Cooperation Agreement in relation to the Capital Increase in Dongguan Yunxin.

THE COOPERATION AGREEMENT

Summarised below are the principal terms of the Cooperation Agreement:

Date: 14 March 2019 (after trading hours)

Parties: (a) Dongguan Qiaozi; and
(b) Gongxiao Waimao.

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

Nature of the transaction

Pursuant to the Cooperation Agreement, the registered capital of Dongguan Yunxin will be increased from RMB3 million (approximately HK\$3.51 million) to approximately RMB66.67 million (approximately HK\$78.00 million), and Dongguan Qiaozi and Gongxiao Waimao agreed to make a capital commitment in cash of approximately RMB31.00 million (approximately HK\$36.27 million) and RMB32.67 million (approximately HK\$38.22 million) respectively to Dongguan Yunxin. Balance of the registered capital of RMB63.67million (approximately HK\$74.49 million) shall be paid up before 31 December 2038. Upon completion of the Capital Increase, the equity interest of Dongguan Qiaozi in Dongguan Yunxin will be diluted from 100% to 51% and Dongguan Yunxin will be held as to 51% by Dongguan Qiaozi, as to 49% by Gongxiao Waimao.

Basis of determining the amount of the Capital Increase

The registered capital of Dongguan Yunxin was initially set at RMB3 million (fully paid up) (approximately HK\$3.51 million), which would be increased to approximately RMB66.67 million (approximately HK\$78.00 million) pursuant to the Cooperation Agreement. The total additional capital commitment to be made into Dongguan Yunxin is expected to be approximately RMB63.67 million (approximately HK\$74.49 million).

The amount of the said total capital commitment was arrived at after arm's length negotiation among the parties to the Cooperation Agreement with reference to the capital requirement for the operation of future businesses.

Having considered the above, the Directors are of the view that the Capital Increase on the part of the Group is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Management structure of Dongguan Yunxin

Pursuant to the Cooperation Agreement, the board of directors of Dongguan Yunxin shall consist of five members, of which Dongguan Qiaozi is entitled to nominate three directors and Gongxiao Waimao is entitled to nominate two directors. The legal representative of Dongguan Yunxin shall be jointly nominated by Dongguan Qiaozi and Gongxiao Waimao. The chairman of the board of directors of Dongguan Yunxin, shall be nominated from the three directors nominated by Dongguan Qiaozi. Dongguan Yunxin shall have one general manager appointed by the board of directors according to the recommendation of Gongxiao Waimao. Dongguan Yunxin shall have one supervisor, to be nominated by Dongguan Qiaozi.

Application of the Increased Capital

The total additional capital of approximately RMB63.67 million (approximately HK\$74.49 million) to be made by Dongguan Qiaozi and Gongxiao Waimao will be applied by Dongguan Yunxin as general working capital.

Scope of business of Dongguan Yunxin

The scope of business of Dongguan Yunxin is intended to be, among others, groceries wholesale, metal materials, non-ferrous metals, construction materials, imports and exports, and other ancillary services.

Shareholders' rights and benefits and sharing of profit and loss

Upon completion of the Capital Increase, each of the equity holders will be entitled to such rights and benefits (including dividends) in proportion to its respective paid-up capital.

Registration procedures

Dongguan Yunxin will proceed with the change of industrial and commercial registration procedures and other filing and registration procedures on change of scope of business within 7 business days from the date of the Cooperation Agreement as well as all incidental documentation (including the amended constitutional documents).

INFORMATION ON DONGGUAN YUNXIN

Dongguan Yunxin is an indirectly wholly-owned subsidiary of the Company and a limited liability company under the laws of the PRC incorporated on 27 December 2013 with a registered capital of RMB3 million (approximately HK\$3.51 million) which was fully paid up. Dongguan Yunxin is principally engaged in the research, development, processing and sales of rubber materials and plastics exports in the PRC.

Upon completion of the Deemed Disposal and the Capital Increase, Dongguan Yunxin will be owned as to 51% indirectly by the Company and 49% by Gongxiao Waimao respectively.

FINANCIAL INFORMATION OF DONGGUAN YUXIN

Set out below are the financial information of the Dongguan Yuxin as extracted from its accounts ended 31 December 2018 (unaudited), ended 31 December 2017 (audited) respectively:

	For the financial year ended 31 December 2018 (unaudited) (approximately) RMB	For the financial year ended 31 December 2017 (audited) (approximately) RMB
Turnover	–	–
Net losses before taxation	35,000	20,000
Net losses after taxation	35,000	18,000
Total assets	1,823,000	1,851,000
Net Assets	1,173,000	1,201,000

FINANCIAL IMPACT ON THE GROUP

Following completion of the Capital Increase, the equity interest of Dongguan Qiaozi in Dongguan Yunxin will be diluted from 100% to 51%. Dongguan Yunxin will continue to be a subsidiary of the Company and its financial results will continue to be consolidated with the Group's results.

It is expected that the Capital Increase would not have any significant impact on the Group's consolidated income statement.

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.

Dongguan Qiaozi is an indirectly wholly-owned subsidiary of the Company and a limited liability company under the laws of the PRC incorporated on 3 July 1990 principally engaged in manufacture and trading of cables and wires products.

INFORMATION OF GONGXIAO WAIMAO

Gongxiao Waimao is a limited liability company under the laws of the PRC incorporated on 8 August 2013 and is principally engaged in the provision of all-rounded commercial services and wholesales of groceries, metals electronic products, and garments in the PRC.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

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 seeking potential business partners and new opportunities with growth potential and broaden its income stream in order to achieve diversified and sustainable development. Gongxiao Waimao is engaged in the provision of all-rounded commercial services and wholesales in the PRC and has extensive experience and clientele in the groceries wholesale business. The Directors are of the view that the Deemed Disposal and the Capital Increase could enhance financial strengths of Dongguan Yunxin and will create synergy effect with the Group's existing business.

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

LISTING RULES IMPLICATIONS

Following the completion of the Capital Increase, the Group's equity interest in Dongguan Yunxin will be diluted and regarded as a Deemed Disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) under each of the Capital Increase and Deemed Disposal exceed 5%, but are all less than 25%, the Deemed Disposal and the Capital Increase constitute a discloseable transaction for the Company under the Listing Rules, and are therefore subject to reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

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 and the PRC are generally open for business
“Capital Increase”	the increase of the registered capital of Dongguan Yunxin from RMB3 million (approximately HK\$3.51 million) to approximately RMB66.67 million (approximately HK\$78.00 million) by way of Dongguan Qiaozi and Gongxiao Waimao making a total cash commitment of approximately RMB63.67 million (approximately HK\$74.49 million) into the registered capital of Dongguan Yunxin pursuant to the Cooperation Agreement
“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
“Cooperation Agreement”	the cooperation agreement dated 14 March 2019 entered into between Dongguan Qiaozi and Gongxiao Waimao in relation to the Capital Increase
“Deemed Disposal”	the reduction of the Group’s equity interest in Dongguan Yunxin from 100% to 51% upon completion of the Capital Increase
“Director(s)”	the director(s) of the Company
“Dongguan Qiaozi”	東莞橋梓周氏電業有限公司 (Dongguan Qiaozi Chau’s Electrical Company Limited*), a limited liability company established under the laws of PRC, and is currently a wholly-owned subsidiary
“Dongguan Yunxin”	東莞市韻鑫高分子科技有限公司 (Dongguan Yunxin Polymer Technology Company Limited*), a limited liability company established under the laws of PRC, and is currently a wholly-owned subsidiary

“Gongxiao Waimao”	供銷外貿市場經營管理(廣東)有限公司 (Gongxiao Waimao Market Operation Management (Guangdong) Company Limited*), a limited liability company established under the laws of PRC
“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
“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
“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
“%”	per cent.

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

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

Hong Kong, 14 March 2019

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.