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卡姆丹克太陽能系統集團有限公司
Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 712)

VERY SUBSTANTIAL DISPOSAL
IN RELATION TO DISPOSAL OF PROPERTIES

Financial adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

THE DISPOSAL

The Board is pleased to announce that on 1 June 2022 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase, the Properties (together with the ancillary facilities) located in Shanghai, the PRC, at the Consideration of RMB180 million which is determined with reference to an independent valuation of the Properties of approximately RMB169 million as at 31 December 2021. The Properties comprise two land use rights and seven factory buildings.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

A circular containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 June 2022 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

As completion of the Disposal is subject to the satisfaction of a number of conditions precedent as set out in the Sale and Purchase Agreement, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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THE SALE AND PURCHASE AGREEMENT

Date:

1 June 2022

Parties:

Vendor: Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), a wholly-owned subsidiary of the Company, which is principally engaged in manufacturing and sales of solar wafers and related products.

Purchaser: Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), a company incorporated in Shanghai, the PRC with limited liability, which is principally engaged in design, manufacturing and printing of packaging boxes mainly for pharmaceutical companies.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

The Properties (together with the ancillary facilities) consist of the following:

- (i) the land use rights to certain state-owned lands (collectively, the “**Lands**”), being industrial lands, with an aggregate land area of approximately 40,387.4 sq.m., consisting of:
 - (a) a plot of land (the “**Land No. 1**”) located at 906 Yuan Zhong Road, Xuan Qiao Town, Pudong New Area, Shanghai, the PRC* (中國上海市浦東新區宣橋鎮園中路906號) with a land area of approximately 27,823.60 sq.m. and a term ending on 10 August 2058; and
 - (b) a plot of land (the “**Land No. 2**”) located at 16 Yuan Di Road, Xuan Qiao Town, Pudong New Area, Shanghai, the PRC* (上海市浦東新區宣橋鎮園迪路16號) with a land area of approximately 12,563.8 sq.m. and a term ending on 9 October 2056; and
- (ii) certain buildings located on the Lands, with an aggregate construction area of approximately 40,038.06 sq.m., consisting of:
 - (a) five factory buildings with an aggregate construction area of approximately 26,725.80 sq.m. located on the Land No. 1; and
 - (b) two factory buildings with an aggregate construction area of approximately 13,312.26 sq.m. located on the Land No. 2.

The Properties have been used by the Group as factories for the production of solar wafers and related products. As disclosed in the annual report of the Company for the year ended 31 December 2020 and the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), the Group has fully suspended its upstream manufacturing business including manufacturing and sales of solar wafers and related products which recorded operating losses in the last few years. For the year ended 31 December 2020 and 2021, sales of monocrystalline solar wafers amounted to approximately RMB454,000 and nil, respectively. As at the date of this announcement, part of the Properties were vacant and part of the Properties were rented out to certain tenants (the “**Tenants**”).

As at the date of this announcement, the Properties were pledged by the Vendor in favour of Agricultural Bank of China Co., Ltd., Shanghai Nanhui branch* (中國農業銀行股份有限公司上海南匯支行) (the “**Creditor**”) to secure a loan (the “**Loan**”) provided by the Creditor in the outstanding amount of approximately RMB115 million (including accrued interests). Under the Sale and Purchase Agreement, part of the Consideration shall be used to settle the Loan, details of which are set out in the paragraph headed “The Consideration” below.

The Consideration

The Vendor, the Purchaser and the Creditor have entered into an escrow agreement, pursuant to which an escrow account (the “**Escrow Account**”) has been established for the settlement of the Consideration. As at the date of this announcement, a deposit of RMB10 million (the “**Deposit**”) has been transferred by the Purchaser to the Escrow Account.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall deposit the Consideration of RMB180 million into the Escrow Account in the following manner:

- (i) within ten business days after entering into the Sale and Purchase Agreement, RMB170 million (including the Deposit) shall be deposited in the Escrow Account; and
- (ii) within one month after obtaining the receipt of acknowledgement from Pudong New Area Natural Resources Title Confirmation and Registration Centre (Real Estate Registration Centre)* (浦東新區自然資源確權登記事務中心(不動產登記事務中心)) (the “**Real Estate Registration Centre**”) in relation to the application for title transfer of the Properties, the remaining RMB10 million shall be deposited in the Escrow Account.

The Consideration shall be paid by the Purchaser to the Vendor through the Escrow Account in the following manner:

- (i) upon obtaining (a) the receipt of acknowledgement from the Real Estate Registration Centre in relation to the application for title transfer of the Properties; and (b) the tax payment notice in relation to the transfer of the Properties, a sum of RMB20 million shall be released from the Escrow Account to the Vendor;
- (ii) upon completion of (a) the relevant procedures for the registration of title transfer of the Properties; (b) the registration of the Purchaser as the legal owner of the Properties by the Real Estate Registration Centre; and (c) the Purchaser obtaining the real estate ownership certificate of the Properties, a sum of RMB150 million shall be released from the Escrow Account to first settle the Loan owed by the Vendor to the Creditor and the relevant tax in relation to the transfer of the Properties and the remaining balance shall be paid to the Vendor (together with the payment set out in (i) above, the “**Initial Payment**”); and
- (iii) within three business days after Completion, the final payment of RMB10 million shall be released from the Escrow Account to the Vendor.

In the event that the Purchaser fails to pay the Consideration in accordance with the above mechanism, the Purchaser shall pay the Vendor a penalty of 0.05% of the overdue amount on a daily basis.

The Consideration was determined after arm's length negotiations between the parties with reference to (i) the carrying amount of the Properties of approximately RMB120 million as at 31 December 2021; and (ii) the preliminary valuation of the Properties of approximately RMB169 million as at 31 December 2021 (the "**Valuation**") conducted by Shanghai Bada Guorui Real Estate Land Appraisal Co., Ltd*. (上海八達國瑞房地產土地估價有限公司), an independent valuer, using the market and income capitalisation approach.

Completion

Completion shall take place after fulfilment of the following:

- (i) the Vendor and the Purchaser have completed the relevant procedures for the title transfer of the Properties; and
- (ii) the Vendor has handed over the Properties (together with the ancillary facilities) to the Purchaser after:
 - (a) the Initial Payment has been duly paid by the Purchaser to the Vendor through the Escrow Account and the Loan has been fully settled;
 - (b) the Vendor and the Purchaser have duly paid their respective taxes in relation to the transfer of the Properties;
 - (c) the Vendor and the Tenants have moved out of the Properties and changed the registered addresses of their business licences;
 - (d) the Vendor has paid the water, electricity, property management and other relevant fees (in relation to the use of the Properties) up to the date of handover of the Properties to the Purchaser, and assisted the Purchaser completing the transfer of these utility accounts;
 - (e) the Vendor has engaged a third party to properly deal with the pollutants (including silicon powder and sewage) left over during the production of the Group in the Properties;
 - (f) the Vendor has provided the Purchaser with a receipt for the Consideration and assisted the Purchaser in obtaining the invoice in relation to the transfer of the Properties from the Real Estate Registration Centre;
 - (g) the Vendor has transferred the planning, construction and engineering documents in relation to the Properties to the Purchaser;

- (h) the Vendor has provided the Purchaser with copies of (a) the agreement and proof of settlement for the consideration in relation to the acquisition of the Properties; and (b) the acknowledgement receipt issued by the relevant land administration authority for the settlement of the consideration, which are endorsed with the company's chop of the Vendor; and
- (i) the Vendor and the Purchaser have obtained all necessary internal, third party and regulatory approvals, permits and consents for the transfer and handover of the Properties, including but not limited to obtaining the shareholder or board approval of the Vendor and the Purchaser and the Company has complied with all relevant requirements in accordance with the Listing Rules and as required by the relevant regulatory authorities.

The Purchaser shall inspect the Properties within three days from the date of receipt of the handover notice from the Vendor. Subsequent to the Purchaser's inspection, the Vendor shall deliver the keys of the Properties to the Vendor. The date of handover of the Properties shall be the earlier of (a) the date of delivering the keys of the Properties to the Purchaser; or (b) the 4th day from the date of receipt of the handover notice by the Purchaser from the Vendor should the Purchaser fail to inspect the Properties. The Vendor and the Purchaser shall use their best endeavours to complete the handover of the Properties within three months from the date when the Real Estate Registration Centre has issued the real estate certificate for the transfer of the Properties. In the event that the Vendor fails to hand over the Properties to the Purchaser within the aforesaid timeframe (after expiration of a one-month grace period), the Vendor shall pay the Purchaser a penalty of 0.05% of the unpaid amount on a daily basis.

INFORMATION ON THE PURCHASER

The Purchaser, a company incorporated in Shanghai, the PRC with limited liability, is principally engaged in design, manufacturing and printing of packaging boxes mainly for pharmaceutical companies.

As at the date of this announcement, the Purchaser was beneficially owned (i) as to approximately 36.00% by Chen Jianwen (陳建文); (ii) as to approximately 27.95% by Chen Jianxin (陳建新); (iii) as to approximately 12.97% by Chen Hui (陳輝); and (iv) as to approximately 23.08% by Shanghai Pudong Huanglou Industry & Trading Co., Ltd.* (上海浦東黃樓工貿公司) which was wholly-owned by Shanghai Wanglou Agriculture Industry and Commerce Industry Company* (上海旺樓農工商實業公司) (“**Shanghai Wanglou**”). Shanghai Wanglou was in turn wholly-owned by the People's Government of Chuansha Town, Pudong New Area, Shanghai* (上海市浦東新區川沙鎮人民政府).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its beneficial owners are third parties independent of the Company and its connected persons.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in sales of power storage products and lithium battery products and the investment, development, construction and operation of solar photovoltaic power stations.

The Vendor, a wholly-owned subsidiary of the Company, is principally engaged in manufacturing and sales of solar wafers and related products. As at the date of this announcement, the Group has fully suspended the upstream manufacturing business including manufacturing and sales of solar wafers and related products.

FINANCIAL EFFECTS OF THE DISPOSALS AND USE OF PROCEEDS

For illustrative purposes, the Group is expected to record an unaudited gain on the Disposal of approximately RMB22 million, which is calculated based on the Consideration of RMB180 million less the aggregate of the carrying amount of the Properties of approximately RMB120 million as at 31 December 2021 and the relevant expenses and tax. Shareholders should note that the actual gain of the Disposal will be calculated based on the relevant figures as at the date of Completion and subject to audit and therefore might be different from the aforementioned amount.

The net proceeds from the Disposal after deducting the relevant expenses and tax are estimated to be approximately RMB142 million, among which approximately RMB115 million shall be used to repay the Loan (including the accrued interest) and approximately RMB27 million shall be applied towards general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has fully suspended its upstream manufacturing business including manufacturing and sales of solar wafers and related products which recorded operating losses in the last few years and focused on developing its downstream solar businesses, including investment, development, construction and operation of solar photovoltaic power stations, production and sales of power storage products. Hence, the Directors has been continually looking for opportunities to increase Shareholders' return through disposing properties with low utilisation and realising their value. The industrial property market in the PRC has remained stagnant in the past year. The Disposal represents a good opportunity for the Company to maximise Shareholders' return, given that the Purchaser has a genuine relocation need within the same area, and the location and the size of the Properties meet the requirement and need of the Purchaser. Therefore, the Directors consider that the Purchaser has made a favourable offer to acquire the Properties.

In addition, the Disposal is expected to reduce the debt and therefore the interest burden of the Group. For the year ended 31 December 2021, the Group recorded an unaudited net loss attributable to the Shareholders of approximately RMB45.0 million. As at 31 December 2021, the Group had unaudited net current liabilities and net liabilities of approximately RMB296.4 million and RMB97.1 million, respectively, among which (i) bank balances and cash were approximately RMB6.8 million; (ii) trade and other payables and accruals were approximately RMB164.2 million; and (iii) interest-bearing borrowings were approximately RMB137.9 million. These factors indicate the existence of a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, as stated in the 2021 Interim Report. Given the net proceeds from the Disposal shall be applied towards the settlement of the Loan and the general working capital of the Group, the Disposal is expected to lower the gearing and improve the working capital of the Group. The Disposal will strengthen the financial position and enhance the cash flow of the Group. The Board believes that, through the Disposal, the Company will be able to allocate its resources more effectively.

In light of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

A circular containing, among other things, (i) further details of the Disposal; (ii) the pro forma financial information of the remaining Group; (iii) notice of the EGM; and (iv) other information as required under the Listing Rules, is expected to be despatched to the Shareholders on or before 22 June 2022 so as to allow sufficient time for the preparation of the relevant information for the inclusion in the circular.

As completion of the Disposal is subject to the satisfaction of a number of conditions precedent as set out in the Sale and Purchase Agreement, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of the Directors
“Company”	Comtec Solar Systems Group Limited (卡姆丹克太陽能系統集團有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange (stock code: 712)
“Completion”	completion of the Disposal
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Disposal in the amount of RMB180 million
“Director(s)”	the director(s) of the Company
“Disposal”	the transactions contemplated under the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve the Disposal
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Properties”	the properties to be transferred by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement including land use rights and factory buildings
“Purchaser”	Shanghai Pudong Zili Color Printing Factory Company Limited* (上海浦東自立彩印廠有限公司), a company incorporated in Shanghai, the PRC with limited liability
“RMB”	Renminbi, the lawful currency of PRC
“Sale and Purchase Agreement”	the sales and purchase agreement dated 1 June 2022 in relation to the disposal of the Properties

“Shareholders”	holder(s) of the share(s) of the Company from time to time
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Shanghai Comtec Solar Technology Company Limited* (上海卡姆丹克太陽能科技有限公司), a wholly-owned subsidiary of the Company
“%”	per cent

* *For identification purpose only*

By order of the Board
Comtec Solar Systems Group Limited
John Yi Zhang
Chairman

Shanghai, the PRC, 1 June 2022

As at the date of this announcement, the executive Director is Mr. John Yi Zhang, the non-executive Directors are Mr. Dai Ji and Mr. Qiao Fenglin, and the independent non-executive Directors are Mr. Ma Teng, Mr. Jiang Qiang and Dr. Yan Ka Shing.