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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 EQUITY INTEREST IN SHANGHAI CHAU'S ELECTRICAL CO., LTD.\***

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

On 15 March 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchasers entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, the entire equity interest in the Target Company at the consideration of RMB17,250,000 (equivalent to HK\$19,492,500) in cash. The Target Company legally holds the Property in Zhujiajiao Town, Qingpu District, Shanghai, the PRC (中國上海市青浦區朱家角鎮).

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.

#### **IMPLICATIONS UNDER THE LISTING RULES**

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.

**As completion of the Disposal is subject to the terms and conditions of 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.**

\* For identification purposes only

On 15 March 2023 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchasers entered into the Equity Transfer Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchasers have conditionally agreed to acquire, the entire equity interest in the Target Company at the consideration of RMB17,250,000 (equivalent to HK\$19,492,500) in cash.

## **THE EQUITY TRANSFER AGREEMENT**

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

### **Date**

15 March 2023

### **Parties**

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

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchasers are Independent Third Parties.

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

The asset to be disposed of under the Equity Transfer Agreement shall be the entire equity interest in the Target Company legally and beneficially owned by the Vendor, of which 70% equity interest will be transferred to Purchaser A at the consideration of RMB12,075,000 and 30% equity interest will be transferred to Purchaser B at the consideration of RMB5,175,000.

### **Consideration and payment terms**

Subject to the terms and conditions of the Equity Transfer Agreement, the Consideration shall be settled in accordance with the following manners:

- (i) an aggregate sum of RMB8,625,000, being refundable deposit (the "**Deposit**"), shall be paid by the Purchasers to the account designated by the Vendor within one (1) business day after the execution of the Equity Transfer Agreement, of which RMB6,037,500 and RMB2,587,500 shall be contributed by Purchaser A and Purchaser B, respectively; and

- (ii) the remaining balance of RMB8,625,000 shall be paid by the Purchasers to the Vendor no later than 15 days after the Purchasers having been permitted to transfer the funds for settlement of the Consideration outside the PRC under the relevant foreign exchange control laws and regulations of the PRC, and in any event shall be within 105 days after the execution of the Equity Transfer Agreement, of which RMB6,037,500 and RMB2,587,500 shall be contributed by Purchaser A and Purchaser B, respectively.

The Vendor shall assist the Purchasers to perform the registration for transfer of equity interest and changes of relevant certificates and permits after the Vendor has received the Deposit from the Purchasers.

### **Basis of determination of the consideration**

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchasers and was determined with reference to (i) the net asset value of the Target Company of approximately RMB17,383,000 as at 31 December 2022 (the "NAV"); (ii) the market value of the Property as appraised by an independent valuer (the "**Appraised Property Value**"), which is equivalent to HK\$26,480,000 (equivalent to approximately RMB23,434,000)<sup>(Note)</sup>; and (iii) other factors as set out in the paragraph headed "Reasons for and Benefits of the Disposal" below. The Consideration is comparable to the NAV, which is merely a commercial decision of the Vendor and the Purchasers after arm's length negotiations.

*Note:* The discrepancy between the NAV and the Appraised Property Value is primarily due to the fact that deferred tax liabilities of approximately RMB4,766,000 has been recognised in respect of the Property and other payables have been recorded in the accounts of the Target Company.

### **Conditions precedent**

Completion of the Disposal is subject to and conditional upon the satisfaction in full, or the waiver of, the following conditions:

- (i) the Purchasers having completed and been satisfied with the due diligence results on the Target Company (including but not limited to the legal, financial and commercial aspects);
- (ii) this announcement having been published by the Company in accordance with the Listing Rules; and
- (iii) the Vendor, the Company, the Target Company and the Purchasers having obtained all necessary consents, approvals and permits for the Disposal from the government or regulatory authorities in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

Conditions (i) and (ii) can be waived by the Purchasers while condition (iii) cannot be waived. In the event that the above conditions cannot be satisfied or waived within 90 days from the date of the Equity Transfer Agreement or such later date as both parties may agree, the Equity Transfer Agreement shall be terminated and all rights and obligations of the parties under the Equity Transfer Agreement will cease and determine forthwith. If the registration for transfer of the entire equity interest in the Target Company to the Purchasers under the Disposal has already completed, the Purchasers shall return the entire equity interest in the Target Company to the Vendor forthwith at nil consideration. The Vendor shall also return the Deposit to the Purchasers. The parties shall have no further liability against each other, save for any antecedent breach of any obligation under the Equity Transfer Agreement.

## **Completion**

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.

## **Termination of the Equity Transfer Agreement**

In the event that (i) the Vendor fails to complete the registration for transfer of equity interest and changes of relevant certificates and permits in accordance with the terms of the Equity Transfer Agreement, or (ii) the Equity Transfer Agreement can no longer be performed due to default of the Vendor, the Purchasers are entitled to terminate the Equity Transfer Agreement, have refund of any amount paid under the Equity Transfer Agreement and receive liquidated damages of RMB1 million from the Vendor.

In the event that the Purchasers fail to observe their payment obligations in accordance with the terms of the Equity Transfer Agreement, the Vendor may extend the deadline for such payment and demand the Purchasers to pay liquidated damages equivalent to 0.05% of the delayed amount per day until the delayed amount is fully settled. If the Vendor decides not to extend the deadline for such payment, or if the Equity Transfer Agreement can no longer be performed due to default of the Purchasers, the Vendor is entitled to terminate the Equity Transfer Agreement and receive liquidated damages of RMB1 million from the Purchasers. If the registration for transfer of the entire equity interest in the Target Company to the Purchasers under the Disposal has already completed at the time of termination of the Equity Transfer Agreement, the Purchasers are obliged to return the entire equity interest in the Target Company to the Vendor forthwith at nil consideration.

Save as the incidents set out above or the occurrence of force majeure event, any party which unilaterally terminates the Equity Transfer Agreement is regarded as breach of the agreement and shall be liable to pay liquidated damages equivalent to 15% of the Consideration to the non-defaulting party.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the audited financial information of the Target Company for the two financial years ended 30 June 2021 and 2022 and the unaudited financial information of the Target Company for the six months ended 31 December 2022:

	<b>For the financial year ended 30 June 2021 <i>(Audited)</i> <i>(Approximately)</i> RMB</b>	<b>For the financial year ended 30 June 2022 <i>(Audited)</i> <i>(Approximately)</i> RMB</b>	<b>For the six months ended 31 December 2022 <i>(Unaudited)</i> <i>(Approximately)</i> RMB</b>
Revenue	459,000	459,000	229,000
Net profit/(loss) before taxation	3,357,000	(1,396,000)	(2,350,000)
Net profit/(loss) after taxation	2,620,000	(1,039,000)	(1,693,000)

The unaudited net asset value of the Target Company as at 31 December 2022 is approximately RMB17,383,000.

## FINANCIAL EFFECT OF THE DISPOSAL ON 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 RMB253,000 (equivalent to approximately HK\$286,000), which is based on the difference between (i) the consideration for the Disposal; (ii) the net asset value of the Target Company as at 31 December 2022; (iii) the net amount due to the Target Company from fellow subsidiaries to be waived at completion of the Disposal; and (iv) cumulative exchange reserves.

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, after deducting transaction costs and expenses, will be approximately RMB16,985,000 (equivalent to approximately HK\$19,192,500).

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

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a limited liability company established under the laws of the PRC on 18 August 1994 with registered capital of US\$2,500,000. As at the date of this announcement, the Target Company is an indirect wholly-owned subsidiary of the Company and its entire equity interest is owned by the Vendor.

The Target Company is principally engaged in property holding. Pursuant to the relevant Certificate of Real Estate Ownership in relation to the Property, the Target Company legally holds the land use right in respect of a parcel of land known as Lot No. Zhujiajiao Town, 3-1 Qiu (朱家角鎮3-1丘) located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC (中國上海市青浦區朱家角鎮滬青平公路6118號) having a site area of approximately 13,901.00 sq. m. for industrial use, and the Target Company is legally interested in various buildings and structures erected on the land above (the “**Factory Complex**”) having total gross floor area of approximately 5,152.00 sq. m.. The Property is being leased to an independent third party for a term of five years commencing from 1 August 2019 to 31 July 2024 with an annual rental of RMB500,000.

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

The Group is principally engaged in the cables and wires business, copper rod business, property investment business, holding of mining rights and advertising business.

The Vendor is a company incorporated in Hong Kong on 4 July 2007 with limited liability. It is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

## **INFORMATION ON THE PURCHASERS**

The Purchasers are PRC citizens and private investors.

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

The Target Company was principally engaged in the manufacture and trading of cables and wires prior to cessation of these business activities.

Since 2014, the Target Company has leased out the Property. However, the local real estate market has been adversely affected by the outbreak of COVID-19 and the economic uncertainty over the last few years, leading to lower transaction volume and liquidity recently. In addition, the maintenance costs for the aging Factory Complex are high, and the Group has decided to consolidate its resources to manage and maintain its existing properties in Dongguan, Guangdong Province. Coupled with the said trend of relocation of manufacturers, the Directors are of the view that future returns from leasing the Property may not be favourable.

Having considered the above, the Directors are of the view that the Disposal would allow the Group to save considerable amount of maintenance costs, mitigate the risks of the real estate market and re-allocate its financial resources to better uses. Accordingly, the 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 parties, are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

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.

**As completion of the Disposal is subject to the terms and conditions of 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 terms shall have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 1166)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB17,250,000, being the consideration for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire equity interest in the Target Company by the Vendor pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated 15 March 2023 and entered into among the Vendor and the Purchasers in relation to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, 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)”	third party(ies) and their ultimate beneficial owner(s) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and Directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	a parcel of land known as Lot No. Zhujiajiao Town, 3-1 Qiu (朱家角鎮3-1丘) located at No. 6118 of Huqingping Highway, Zhujiajiao Town, Qingpu District, Shanghai, the PRC (中國上海市青浦區朱家角鎮滬青平公路6118號), and the various building and structures erected thereon
“Purchaser A”	Mr. Zhou Chuang (周闖)
“Purchaser B”	Mr. Zhou Ronggen (周榮根)
“Purchasers”	collectively, Purchaser A and Purchaser B
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)

“sq. m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Chau’s Electrical Co., Ltd.* (上海周氏電業有限公司), a company established under the laws of the PRC with limited liability
“US\$”	United States dollar, the lawful currency of the United States of America
“Vendor”	Global Pacific Investments Limited (漢邦投資有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

*In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with “\*” is for identification purpose only.*

*For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.13*

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

Hong Kong, 15 March 2023

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