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SOLIS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2227)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 49% INTEREST IN D.D. RESIDENT CO. LTD.

THE ACQUISITION

On 31 December 2019, Solis Holdings Limited (the “Company”) and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares at the Consideration of HK\$58,000,000, which shall be paid to the Vendor (or its nominees) within ten business days upon the Completion.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company and is subject to the announcement requirement under the Listing Rules. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Vendor is an Independent Third Party.

THE SALE AND PURCHASE AGREEMENT

Date

31 December 2019

Parties

(i) the Company, as the Purchaser

(ii) Zheng Mingqiang and MKD Holdings, as the Vendor

(iii) MKD Group Holdings (Thailand) Co., Ltd., as the Thai Shareholder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Vendor and the Thai Shareholder are Independent Third Parties.

Assets to be Acquired

The Sale Shares represent 49% of the issued share capital of the Target Company. As detailed below, the principal asset to be acquired is the 49% interest in the registered capital of D.D. Resident Co. Ltd., which is the owner of the Property and is mainly engaged in operating Aiyaree Place Hotel (a hotel in Thailand).

Consideration

Upon completion of the transaction, the Consideration of HK\$58,000,000 will be paid to the Vendor within 10 business days (subject to the Completion) after the completion date or other dates agreed by both parties, in the consideration set out below or by other means with written consents by the Vendor and the Purchaser:

- (a) HK\$12,640,000 of the amount, which is due within 12 months after the issue date, shall be paid by the Purchaser through the issuance of promissory notes; and
- (b) the remaining HK\$45,360,000 shall be paid by the Purchaser to the Vendor through the issuance and allotment of the Consideration Shares at the Issue Price of HK\$0.60 per Consideration Share.

The Consideration (including the Issue Price) has been agreed upon arm's length negotiations between the parties to the Sale and Purchase Agreement, with potential benefit for the Group as a result of the Acquisition. The Directors (including the independent non-executive Directors) consider the Consideration to be fair and reasonable. The Purchaser plans to repay the principal of such promissory notes through internal resources, issuing new Shares and bonds and/or securing bank borrowings. In the event of issuing new Shares (excluding the Shares under this transaction), the Purchaser will repay the principal of the promissory notes in advance.

Consideration Shares

75,600,000 Consideration Shares will be issued at the Issue Price of HK\$0.60 per Consideration Share and will be credited as paid up.

Upon allotment and issuance, the Consideration Shares shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issuance of the Consideration Shares, including the right to receive all dividends, distributions and other payments that have been made or will be made with a record date on or after the said date of allotment and issuance. No restrictions are attached to subsequent sale of the Consideration Shares.

The Issue Price represents:

- (i) a premium of approximately 0.34% over the closing price of the Shares of HK\$0.59 per Share as quoted on the Stock Exchange on 30 December 2019 (the last trading day immediately before the date of the Sale and Purchase Agreement);
- (ii) a premium of approximately 1.17% over the average closing price of the Shares of approximately HK\$0.592 per Share as quoted on the Stock Exchange for the last five consecutive trading days as of 30 December 2019 (the last trading day immediately before and including the date of the Sale and Purchase Agreement); and
- (iii) a premium of approximately 0.17% over the average closing price of the Shares of approximately HK\$0.599 per Share as quoted on the Stock Exchange for the last ten consecutive trading days as of 30 December 2019 (the last trading day immediately before and including the date of the Sale and Purchase Agreement).

The Consideration Shares shall be allotted and issued in accordance with the general mandate (the “Existing Mandate”) granted to the Directors by the Shareholders at the annual general meeting held by the Company on 3 June 2019, and shall be allotted and issued within ten business days upon the Completion. Based on the Existing Mandate, the Board of the Company is authorised to issue and allot a maximum of 168,000,000 Shares, representing 20% of the issued share capital of the Company on the date of the Existing Mandate being passed at the annual general meeting concerned. As at the date of this announcement, the Existing Mandate has not been utilised.

Assuming that the Company will not issue and allot or repurchase Shares as of the issuance and allotment of the Consideration Shares, the changes in the Company’s shareholding structure resulting from the allotment and issuance of the Consideration Shares are as follows:

Shareholder	Issued share capital as at the date of this announcement		Issued share capital immediately after allotment and issuance of the Consideration Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
	HMK Investment Holdings Limited ^{Note 2}	519,792,000	61.88%	519,792,000
Vendor	—	—	75,600,000	8.26%
Public Shareholder	<u>320,208,000</u>	<u>38.12%</u>	<u>320,208,000</u>	<u>34.97%</u>
Total	<u>840,000,000</u>	<u>100.00%</u>	<u>915,600,000</u>	<u>100.00%</u>

Notes:

1. The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

2. The 519,792,000 Shares are beneficially held by HMK Investment Holdings Limited, and HMK Investment Holdings Limited is held as to 90% by Mr. Tay Yong Hua, 6% by Mr. Tay Yong Meng and 4% by Mr. Kenneth Teo Swee Cheng, thus they are deemed to be interested in the 519,792,000 Shares held by HMK Investment Holdings Limited pursuant to the SFO.

Conditions Precedent

Completion is subject to the fulfilment or waiver (as the case may be) of the following conditions:

- (a) the Listing Committee of the Stock Exchange has approved the listing and dealing in of the Consideration Shares (unconditionally or only subject to such conditions as the Vendor may reasonably agree on);
- (b) the Vendor and the board of directors of the Target Company have approved this agreement and the transaction contemplated thereunder;
- (c) the Purchaser has completed its due diligence (in legal, accounting, financial, operational or other aspects deemed important by the Purchaser) on the Target Company (including ownership of the assets and businesses of the Target Company) and is reasonably satisfied with its results;
- (d) the Purchaser has completed valuation of the Property and the market price of the Property is not less than HK\$120,000,000;
- (e) the representations and warranties made by the Vendor under this agreement are true, complete, accurate and not misleading;
- (f) the Vendor has not breached its undertakings and obligations under this agreement;
- (g) the Purchaser has not identified or been aware of any abnormal operation, or any material adverse change in the business areas, status (including asset, financial and legal status), operations, performance or properties, or any undisclosed material potential risks of the Target Company since the date of signing this agreement;
- (h) the Vendor has produced evidence to the satisfaction of the Purchaser indicating that D.D. Resident Co. Ltd. (or its nominees) owns the available-for-sale title to the Property under the laws of Thailand;
- (i) the Vendor, the Purchaser and the Target Company have obtained all necessary consents and standards for the transaction contemplated under this agreement, as well as all the licenses, permits, consents, approvals, authorisations, exemptions, orders and waivers applied with any government or regulatory authorities and other relevant third parties; and all applicable statutory or other legal obligations have been met;
- (j) the Target Company has obtained a written consent from the bank in respect of change of shareholders (if applicable); and

(k) the Vendor and the Purchaser have entered into a tax indemnity deed.

The Purchaser, the Thai Shareholder and D.D. Resident Co. Ltd. have signed an Exclusive Option Agreement, to grant the Purchaser an irrevocable and exclusive option (the “**Equity Purchase Option**”) to purchase the 51% equity interest in the Target Company from the Thai Shareholder.

The Purchaser may, in its absolute discretion, waive in writing any or all conditions precedent (or any part thereof) set out above at any time, and such waiver may be granted subject to such attached terms and conditions as determined by the Purchaser. The Vendor confirms and agrees that the Purchaser’s fulfilment or waiver of any condition may be deemed as fulfilled or waived in reliance on such guarantee, as a result of which the rights and remedies that the Purchaser is entitled to for any breach of such guarantee (a) are unaffected by any waiver granted by the Purchaser; and (b) remain effective after closing.

THE EXCLUSIVE OPTION AGREEMENT

Grant of Rights

The Thai Shareholder agrees to irrevocably and unconditionally grant an irrevocable and exclusive option (the “**Equity Purchase Option**”) for the Purchaser, to the extent permitted by the Thai laws, to purchase or designate person(s) to purchase the 51% equity interest held by the Thai Shareholder in one or multiple tranches at any time during the effective period of the Exclusive Option Agreement, at the price set out in the Exclusive Option Agreement and in such exercise steps as determined by the Purchaser. Apart from the Purchaser and its designated person(s), no third parties shall be entitled to the purchase option.

Purchase Price and its Payment

When the Purchaser decides to exercise the Equity Purchase Option under this agreement, the purchase price (the “**Purchase Price**”) of the equity interest to be purchased shall be HK\$61,200,000, or the lowest rate prescribed by relevant government departments or the Thai laws. After the necessary tax withholding and collection (if any) on the Purchase Price in accordance with the Thai laws, the Purchase Price shall be paid to the account designated by the Thai Shareholder within seven (7) days upon the purchased equity has been formally transferred to the Purchaser.

Effective Period

The Exclusive Option Agreement has an effective period of 2 years, subject to renewal at the option of the Purchaser for another 2 years. The Purchaser is entitled to unilaterally terminate this agreement immediately by issuing a written notice to the Thai Shareholder at any time, and is not liable for any breach of the agreement due to its unilateral termination thereof. Unless prescribed otherwise under any mandatory provision of the Thai laws, the Thai Shareholder is not entitled to terminate this agreement unilaterally.

Completion

Closing shall be completed before 5 p.m. within 3 business days after fulfilment or waiver of all the conditions under the Sale and Purchase Agreement in Hong Kong or the place agreed by both parties.

Information of the Target Company

D.D. Resident Co., Ltd., established in Thailand on 5 July 2004, is principally engaged in the operation of a hotel in Thailand. D.D. Resident Co., Ltd. has a paid-up registered capital of THB50,000,000.

The following table sets forth a summary of the audited financial results of D.D. Resident Co., Ltd. for the two years ended 31 December 2018, which is prepared in accordance with the Thai Accounting Standards for Non-Publicly Accountable Entities:

	For the Year Ended	
	31 December	
	2018	2017
	THB'000	THB'000
Turnover	24,467	22,250
(Loss) Profit before tax	(266)	4,775
(Loss) Profit after tax	(266)	3,820

As at 31 December 2018, the audited net assets and total assets of D.D. Resident Co., Ltd. are THB46,665,000 and THB243,122,000, respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is mainly engaged in the installation of mechanical and electrical systems for construction projects in Singapore. Given the Group's dwindling profit amidst increasingly stiff competition in the Singapore construction sector over recent years, the Company intends for diversified development to sustain its profit from continuing operations. The Group plans to expand its business to Thailand by acquiring D.D. Resident Co. Ltd. and a hotel under its operation in the country, with a view to offset the risks arising from regional operation under the sluggish market conditions in Singapore in recent years.

The Directors consider that the Acquisition will ensure the foundation of the Group's investment business in Thailand and broaden its asset diversity, thereby supporting the future profitability of the Group. The Directors believe that through the Group's upcoming staff training and business process iteration in D.D. Resident Co. Ltd., the performance of D.D. Resident Co. Ltd. will embrace continuous growth, which in turn will allow the Target Company to make sustained contribution to the profit of the Group.

The Directors (including independent non-executive Directors) are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable, and the transaction thereunder is in the interest of the Company and its Shareholders as a whole.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company and is subject to the announcement requirement under the Listing Rules.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of 49% interest in the share capital of the Target Company by the Purchaser from the Vendor in accordance with the Sale and Purchase Agreement
“business day”	a day (other than a Saturday or Sunday) on which licensed banks are open for business in Hong Kong
“Board”	the board of directors of the Company
“Company”	Solis Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Sale and Purchase Agreement
“Consideration”	HK\$58,000,000, the consideration payable by the Purchaser to the Vendor under the Sale and Purchase Agreement
“Consideration Share(s)”	75,600,000 new Shares to be issued and allotted to the Vendor (or its nominees) to settle the Consideration
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a person or persons not connected with the Company and the Directors, chief executives or substantial Shareholders of the Company or any of its subsidiaries or their respective associates
“Issue Price”	the issue price of HK\$0.60 per Consideration Share

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MKD Holdings”	MKD Group Holdings Limited, a company established in the People’s Republic of China with limited liability, and is held as to 24.5% shares by Zheng Mingqiang
“Property”	The land parcel together with the hotel building held by the Target Company in Thailand
“Purchaser”	Solis Holdings Limited, a limited liability company incorporated in the Cayman Islands
“Sale and Purchase Agreement”	a conditional agreement dated 31 December 2019 entered into by the Purchaser and the Vendor in respect of the Acquisition
“Sale Share(s)”	share(s) with a nominal value of THB100 each in the share capital of the Target Company beneficially held by the Vendor as at the date of this announcement, i.e., 49% of the issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	D.D Resident Co., Ltd., a limited liability company incorporated in Thailand on 5 July 2004, which is 49% owned by the Vendor as at the date of this announcement
“Vendor”	Zheng Mingqiang and MKD Holdings
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“THB”	Thai Bahts, the lawful currency of Thailand
“Thailand”	the Thai Kingdom
“%”	per cent

For any inconsistency between the Chinese names of Thai entities, departments, premises or titles and their English translations stated herein, the Thai version shall prevail.

By Order of the Board
Solis Holdings Limited
Tay Yong Hua
Executive Chairman and Executive Director

Hong Kong
31 December 2019

As at the date of this announcement, the executive Directors are Mr. Tay Yong Hua, Mr. Tay Yong Meng and Mr. Liang Qianyuan; and the independent non-executive Directors are Ms. Theng Siew Lian Lisa, Mr. Cheung Garnok, Dr. Guan Huan Fei and Mr. Jacobsen William Keith.