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**STARLITE**  
HOLDINGS LIMITED

星光集團有限公司\*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

STOCK CODE 股份代號: 403

## **VERY SUBSTANTIAL DISPOSAL**

### **PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A SUBSIDIARY**

#### **THE PROPOSED DISPOSAL**

The Board is pleased to announced that on 21 February 2020 (after trading hours), the Company (as the Vendor's guarantor), the Vendor, the Target Company, the Purchaser and the Purchaser's Guarantors entered into the Equity Transfer Agreement pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Equity at a Consideration of RMB 319,200,000 (equivalent to approximately HK\$353,833,000).

As part of the transactions contemplated under the Equity Transfer Agreement, the Company, the Vendor, the Target Company and the Lender also entered into the Loan Agreement pursuant to which the Lender will lend RMB 136,800,000 (equivalent to approximately HK\$151,643,000) to the Target Company.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the Proposed Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Proposed Disposal constitutes a very substantial disposal for the Company under the Listing Rules which is subject to the reporting, announcement and shareholders' approval requirements.

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Proposed Disposal, the Transaction Documents and the transactions contemplated therein.

The Circular containing, among other things, (i) further details of the Proposed Disposal; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the remaining Group upon Completion; (iv) the valuation report of the Property; and (v) a notice of the SGM, is expected to be despatched to the Shareholders on or before 13 March 2020.

**As Completion is subject to the satisfaction of the Completion Conditions and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

## **INTRODUCTION**

The Board is pleased to announced that on 21 February 2020 (after trading hours), the Company (as the Vendor's guarantor), the Vendor, the Target Company, the Purchaser and the Purchaser's Guarantors entered into the Equity Transfer Agreement pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Equity at a Consideration of RMB 319,200,000 (equivalent to approximately HK\$353,833,000). As part of the transactions contemplated under the Equity Transfer Agreement, the Company, the Vendor, the Target Company and the Lender also entered into the Loan Agreement pursuant to which the Lender will lend RMB 136,800,000 (equivalent to approximately HK\$151,643,000) to the Target Company.

## **THE EQUITY TRANSFER AGREEMENT**

Summarised below are the principal terms of the Equity Transfer Agreement:

<b>Date</b>	21 February 2020
<b>Parties</b>	(1) The Vendor (2) The Company (as the Vendor's guarantor) (3) The Target Company (4) The Purchaser (5) The Purchaser's Guarantors

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

### **Assets to be disposed of**

Pursuant to the Equity Transfer Agreement, the Vendor shall dispose of the Sale Equity, representing the entire equity interest in the Target Company. The assets of the Target Company consist of, among other things, the Property.

### **Consideration**

The Vendor agreed to sell the Sale Equity to the Purchaser, and the Purchaser agreed to purchase the Sale Equity at a Consideration of RMB 319,200,000 (equivalent to approximately HK\$353,833,000) which shall be payable in cash in the following manner:

- (a) within five (5) Business Days of the date of signing of the Equity Transfer Agreement, the Purchaser shall pay the Earnest Money to the Vendor in the amount of RMB 10,000,000 (equivalent to approximately HK\$11,085,000);
- (b) within five (5) Business Days of the satisfaction of the Initial Payment Conditions, the Purchaser shall pay the Initial Payment in the amount of RMB 63,200,000 (equivalent to approximately HK\$70,057,000) part of which shall be settled by the Earnest Money received by the Vendor; and
- (c) within five (5) Business Days after the Completion Conditions Satisfaction Date, the Purchaser shall pay the balance of the Consideration into the Escrow Account, which will be released to the Vendor upon satisfaction of certain conditions as set out below in the paragraph headed “**Completion**”.

### **Initial Payment Conditions**

The payment of the Initial Payment shall be conditional upon the satisfaction (or waiver) of Initial Payment Conditions which consist of, among other things:

- (a) the entering into of the Loan Agreement by the Company, the Vendor, the Target Company and the Lender;
- (b) the Vendor, the Target Company, the Purchaser, the Lender and the Purchaser’s Guarantors having obtained the necessary approvals, consents or waivers as required in relation to the execution, delivery and performance of the Equity Transfer Agreement, the Loan Agreement (as the case may be) and the transactions contemplated therein;
- (c) the approval of the Shareholders at the SGM for the delivery and performance by the Vendor and the Company of the Equity Transfer Agreement and the transactions contemplated therein; and
- (d) there having been no restriction or prohibition under any applicable laws or relevant authority restraining or otherwise prohibiting consummation of the transactions contemplated in the Equity Transfer Agreement.

Save for conditions (c) and (d) above, the Vendor Parties or the Purchaser Parties (as the case may be) may, by written notice, waive any one or more of the Initial Payment Conditions required to be fulfilled by the other Parties (as the case may be).

Pursuant to the Equity Transfer Agreement, the Initial Payment Conditions must be satisfied within 120 calendar days from the date of the signing of the Equity Transfer Agreement and unless the Parties can reach an agreement with respect to the satisfaction of the Initial Payment Conditions, the Equity Transfer Agreement shall terminate.

### **Interim Period and Completion Conditions**

During the Interim Period, the Vendor and the Target Company shall jointly undertake to satisfy the Completion Conditions which consist of, among other things:

- (a) the termination of all employment contracts of all the employees of the Target Company including the execution of all relevant termination agreements and the payment of compensation by the Target Company (if any). In respect of certain employees of the Target Company who are required to remain under the employment of the Target Company after the Completion Conditions Satisfaction Date, such employees shall not remain under the employment of the Target Company for a period longer than three months after the Completion Conditions Satisfaction Date and shall have executed all relevant termination agreements with the Target Company. The Vendor shall bear all costs and expenses in respect of the extended employment and the subsequent termination of such employees;
- (b) the stripping out and removal of certain machinery, equipment and inventory related to the production and operations of the Target Company from the Property in whatever manner determined appropriate by the Target Company;
- (c) all debts and liabilities of the Target Company having been paid off, settled or released by the creditors of the Target Company (except any debts or liabilities owed to the Lender);
- (d) the payment by the Target Company of all outstanding fees owed to the relevant local government authority in respect of the Undeveloped Property and the development of the Undeveloped Property prior to the Completion Date as required by the relevant local government authority;
- (e) the completion of all soil quality surveys and evaluation and the restoration (if any) of the Property, in accordance with the relevant national and Shenzhen environmental protection regulations; and
- (f) the completion of the deregistration of branch offices of the Target Company.

As part of the Completion Conditions, the Vendor and the Purchaser shall jointly open the Escrow Account in Hong Kong for receipt of the balance of the Consideration at Completion. The Vendor and the Purchaser will finalise and sign an escrow agreement in order for the Escrow Account to be in place before Completion. It is contemplated that the Escrow Account will be opened with a major bank in Hong Kong with customary terms to be agreed between the Vendor and the Purchaser. It is contemplated that the Escrow Account will be operated jointly by the Vendor and the Purchaser and that a director of the Vendor and the Purchaser respectively shall jointly provide instructions on the operation of the Escrow Account.

All the Completion Conditions, which require time to be completed in an orderly manner, must be satisfied within the Interim Period. As disclosed in the paragraph headed "**Use of Proceeds**", the Group intends to use the proceeds of the Proposed Disposal to consolidate its manufacturing plants and factories in Shaoguan and the expansion of those manufacturing plants and factories. As part of this expansion, the Group intends to transfer the existing business operations of the Target Company to the remaining Group by moving certain machinery, equipment and inventory from the Property to the Group's manufacturing plants and factories in Shaoguan. As at the date of this announcement, the Group estimates that the expansion of the Group's manufacturing plants and factories in Shaoguan will take approximately 12 months during the Interim Period and during this period, the Target Company will begin to relocate certain machinery, equipment and inventory to the Shaoguan factories which is expected to take 2.5 months. Taking into account the need for a buffer period, the Group expects that the Completion Conditions will be completed during the Interim Period (including any extension

thereof due to a Force Majeure event). Accordingly, the Directors consider the length of the Interim Period is fair and reasonable.

As at 30 September 2019, the debts and liabilities of the Target Company are approximately RMB 76,514,000 (equivalent to approximately HK\$84,816,000). The Group intends to utilise the Loan to finance the repayment of the debts and liabilities of the Target Company (except any debts or liabilities owed to the Lender) as set out in subparagraph (c) above. As at 30 September 2019, the debts and liabilities of the Target Company owed to the Group are approximately HK\$4,000 and will be settled by the Target Company using the Loan.

The Target Company has paid RMB 114,555 (equivalent to approximately HK\$126,984) to the relevant local government authority to settle the outstanding fees in respect of the Undeveloped Property. The Target Company does not expect that any further fees in respect of the Undeveloped Property will be payable to the relevant local government authority during the Interim Period.

### **Other arrangements prior to the Completion Date**

#### *Development of the Undeveloped Property*

During the period between the date of the Equity Transfer Agreement and the Completion Date, the Purchaser shall have the right, and the Target Company shall cooperate with the Purchaser, to develop the Undeveloped Property. The Purchaser shall be responsible for the design, application, development and construction of the Construction Project and shall bear all related capital expenditure, costs, fees and taxes associated with the Construction Project (save for the amount of RMB 114,555 (equivalent to approximately HK\$126,984) paid by the Target Company to the relevant local government authority to settle the outstanding fees in respect of the Undeveloped Property). Upon completion of the Construction Project, the Purchaser shall have the use, control and income rights of the Construction Project and the Constructed Properties.

In the event of termination of the Equity Transfer Agreement, regardless of whether the termination was due to the default of the Vendor Parties, the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser and upon receipt of such compensation, the Purchaser shall promptly transfer the Construction Project and the Constructed Properties to the Vendor and Target Company, including the use, control and income rights of the Construction Project and Constructed Properties.

Subject to the terms agreed in the Equity Transfer Agreement, the Parties shall execute a supplemental agreement in respect of the Construction Project and Constructed Properties based on the terms agreed in the Equity Transfer Agreement. Such agreement will only be entered into after the Company obtains the Shareholders' approval at the SGM in respect of the Proposed Disposal. Save as disclosed below, at this stage, it is not possible for the Company to quantify the relevant transaction size of the potential transfer of the Construction Project and Constructed Properties and the reimbursement to the Purchaser. The potential transfer of the Construction Project and Constructed Properties and the reimbursement to the Purchaser are part of terms of the Proposed Disposal to be approved by the Shareholders at the SGM. The Company will make further announcements in respect of the status of the Proposed Disposal (including any termination events) as and when appropriate.

Although the Parties have not entered into any supplemental agreement in respect of the Construction Project and the Constructed Properties, as at the date of the Announcement and based on the preliminary negotiations between the Target Company and the Purchaser, it is expected that the Purchaser's capital expenditure, costs and fees associated with the Construction Project will not exceed RMB 40,000,000 after taking into account the estimated construction cost, the estimated costs of interior decoration and hardware installation as well as the planning and design costs, and road and greenery costs.

It is expected that the Target Company will begin its cooperation with the Purchaser before obtaining the approval of the Shareholders at the SGM because the local government authority in Shenzhen has requested the Target Company to develop the Undeveloped Property by February 2022, otherwise, the local government authority in Shenzhen may resume the Undeveloped Property. The Target Company had been liaising and in discussion with the relevant local government authority in Shenzhen regarding the development of the Undeveloped Property prior to the entering into the Proposed Disposal and the requirement from the relevant local government authority in Shenzhen to develop the Undeveloped Property did not arise from the Proposed Disposal and would have materialised regardless of the same.

Therefore, it is vital that the development on the Undeveloped Property begins as soon as possible in order to comply with the requirement of the relevant local government authority in Shenzhen and the relevant PRC laws and regulations. Given that (i) the Purchaser will own the Undeveloped Property through the Target Company after Completion and the Group would therefore be unwilling to incur any further expenditure to develop the Undeveloped Property; and (ii) the tight timeframe in which the development must be completed, the Parties have agreed that the Purchaser should be responsible for the design, application, development and the construction of the Construction Project and shall bear all related capital expenditure, costs, fees and taxes associated with the Construction Project and the Target Company shall cooperate with the Purchaser in respect of the development of the Undeveloped Property.

As the Purchaser will bear all related capital expenditure, costs, fees and taxes associated with the Construction Project, this would mean that the Group will not have to utilise its cashflow to develop the Undeveloped Property in order to meet the local government authority's requirements.

Accordingly, the Directors consider that it is fair and reasonable, and in the interest of the Company and its shareholders as a whole, to grant the use, control and income rights of the Construction Project and Constructed Properties to the Purchaser and for the Group to reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser, in the event of termination of the Equity Transfer Agreement for any reason, in exchange for, the Purchaser having to bear the capital expenditure, costs, fees and taxes associated with the Construction Project and to transfer the rights of such Constructed Properties back to the Group in the event of termination of the Equity Transfer Agreement. The purpose of this arrangement seeks to put the respective Parties into the positions that they were in if the Equity Transfer Agreement had not been entered into. In respect of the Target Company, the intention of the Group is to dispose of the Target Company. As such, if the Equity Transfer Agreement was terminated, the Group will not reemploy the Target Company's ex-employees or relocate any machinery, equipment or inventory back to the Target Company. It is the intention of the Group that if the Equity Transfer Agreement is terminated, it will use its best efforts to dispose the Target Company to another purchaser. As such, it would not be

necessary to put the Target Company in the position that it was in if the Equity Transfer Agreement had not been entered into and it is in the interest of the Company for the Target Company and the Property to be in a ready to be sold state.

Further, in the event that the Equity Transfer Agreement is terminated, the Undeveloped Property will still be owned by the Group and the Target Company may utilise the Constructed Properties for its own business. It is expected that the Constructed Properties will consist of standard industrial buildings such as office buildings which the Target Company may use. Therefore, it is fair and reasonable for the Target Company to reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser given that they have incurred the expense of developing the Undeveloped Property and the Constructed Properties which would still be owned by the Group and may be used by the Target Company for its own business. Under the terms of the Equity Transfer Agreement, the reimbursement of the constructions costs and expenses shall be limited to those that have been reasonably incurred.

During the period before obtaining the approval of the Shareholders at the SGM, it is expected that the cooperation of the Target Company with the Purchaser in respect of the development of the Undeveloped Property will be limited to the provision of information regarding the Target Company and the Property to the Purchaser. It is not expected that such cooperation will incur any material costs for the Group or the Purchaser (which the Target Company would have to reimburse in the event of termination of the Equity Transfer Agreement) and any actual development and construction of the Construction Project shall only take place after the SGM.

#### *Applications in respect of the Shenzhen Urban Renewal*

Prior to the Completion Date, the Target Company shall make all preliminary applications in respect of the Property under the Shenzhen Urban Renewal and shall act on the instructions of the Purchaser in respect of such preliminary applications unless the Vendor and Target Company can show that its rights and interests have been prejudiced by doing so.

The preliminary applications in respect of the Property under the Shenzhen Urban Renewal include the filing of information and particulars by the Target Company to the relevant city renewal authority in Shenzhen for the purpose of applying for modification of the Property.

The Purchaser shall bear all liability, obligations, fees and expenses incurred in respect of such preliminary applications and the Purchaser shall not make any changes to the Property or the structures on top of it without the written consent of the Target Company.

Other than the development of the Undeveloped Property, the Parties will not modify the use or begin any other development of the Property until Completion and the Target Company will continue to utilise the Property for its current use. Any modification of the partitioning and exterior of the Property under the Shenzhen Urban Renewal will take place after Completion and to be determined by the Purchaser.

#### **Completion**

Within five (5) Business Days of the Completion Conditions Satisfaction Date, the Purchaser shall pay the balance of the Consideration into the Escrow Account.

Within ten (10) days of payment of the balance of the Consideration, the Vendor shall pass all the necessary resolutions to transfer the Sale Equity and shall make all necessary applications and filings to the applicable government authorities in respect of the transfer of the Sale Equity.

Upon the satisfaction of the following conditions, the Vendor and the Purchaser shall jointly provide instructions to transfer the balance of the Consideration (excluding any interest generated, which shall belong to the Purchaser, and if any tax payable by the Vendor arising from the sale of the Sale Equity is outstanding at Completion, the Purchaser may retain an amount up to 10% of the Consideration in the Escrow Account, which shall be released to the Vendor upon completion of the payment of tax payable by the Vendor) from the Escrow Account to the Vendor:

- (a) the completion of the transfer of the Sale Equity and the registration of the Purchaser as the sole owner of the Target Company by the applicable government authority; and
- (b) the Purchaser, the Vendor and the Target Company having completed all handover work and signed its handover confirmation in accordance with the Equity Transfer Agreement.

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

### **Guarantee**

The Company has provided an unconditional and irrevocable guarantee in relation to the Vendor and the Target Company's obligations under the Equity Transfer Agreement for a period of three (3) years from the date of expiration of the period that the relevant obligations have to be fulfilled in accordance with the Equity Transfer Agreement.

The Purchaser's Guarantors have provided an unconditional and irrevocable guarantee in relation to the Purchaser's obligations under the Equity Transfer Agreement including, but not limited to, the payment of the Consideration by the Purchaser, for a period of three (3) years from the date of expiration of the period that the relevant obligations have to be fulfilled in accordance with the Equity Transfer Agreement.

### **Default**

If any Party breaches any term under the Equity Transfer Agreement, it shall take steps to remedy such breaches.

#### *Fundamental Breach*

The Parties have agreed that a Fundamental Breach shall include, among other things, the following:

#### Vendor Parties' Fundamental Breach

- (a) the failure to satisfy the Completion Conditions set out in subparagraph (a) to (d) in the paragraph headed "**Interim Period and Completion Conditions**";
- (b) a breach of the warranties given by the Vendor Parties; and



- (c) a breach of the undertakings given by the Vendor Parties including:
- (i) the sale of the Target Company to third parties or the entering into of an any agreement or memorandum to do the same;
  - (ii) the provision of materially false or misleading information by the Vendor Parties;
  - (iii) the failure to maintain the entirety and condition of the Property and the facilities therein and not to take any action to reduce the value of the Property;
  - (iv) the leasing, encumbrance or seizure of the Property, without the consent of the Purchaser (other than the mortgage of the Property); or
- (d) the failure to abide by the terms of the Loan Agreement in respect of the purpose of the Loan.

Purchaser Parties' Fundamental Breach

- (a) a breach of the warranties given by the Purchaser Parties;
- (b) the failure to provide the Loan in accordance with the Loan Agreement;
- (c) the failure to pay the Initial Payment or the balance of the Consideration by the Purchaser; and
- (d) the failure by the Purchaser to release the balance of the Consideration from the Escrow Account.

If a Party commits a Fundamental Breach, the non-defaulting Party may elect to:

- (a) require the defaulting Party to remedy such breach and to continue to fulfil its obligations under Equity Transfer Agreement and:
- (i) if the Vendor Parties have committed the Fundamental Breach, they shall pay interest to the Purchaser at a rate of 0.02% per day during the period of default calculated based on the amount of the Consideration paid by the Purchaser (including the Initial Payment) and the Loan;
  - (ii) if the Purchaser Parties have committed the Fundamental Breach, they shall pay interest to the Vendor at a rate of 0.02% per day during the period of default calculated based on the balance of the Consideration and the Loan which have yet been paid to the Vendor and the Target Company;
- or
- (b) terminate the Equity Transfer Agreement before the Completion Date and seek the following remedies:
- (i) if the Vendor Parties have committed the Fundamental Breach, within sixty (60) days of such Fundamental Breach:

- I. the Vendor and the Company shall jointly and severally repay the amount of Consideration paid by the Purchaser (without interest) and the Vendor Parties shall jointly and severally repay the Loan (without interest);
  - II. the Vendor and the Company shall jointly and severally pay liquidated damages in the amount of RMB 170,000,000 (equivalent to approximately HK\$188,445,000) to the Purchaser;
  - III. upon the repayment of the above amounts, the Lender shall cooperate with the Target Company to release the mortgage over the Property in accordance with the terms of the Loan Agreement; and
  - IV. the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser in accordance with the terms as set out in the paragraph headed "**Other arrangements prior to the Completion Date - Development of the Undeveloped Property**".
- (ii) if the Purchaser Parties have committed Fundamental Breach, within sixty (60) days of such Fundamental Breach:

- I. the Purchaser Parties shall, jointly and severally, pay liquidated damages in the amount of RMB 170,000,000 (equivalent to approximately HK\$188,445,000) to the Vendor. The Vendor shall also repay the amount of Consideration paid by the Purchaser (without interest) and the Target Company shall repay the Loan (without interest) but shall have the right to set-off the liquidated damages due from the Purchaser against such repayment amounts;
- II. the mortgage over the Property in accordance with the terms of the Loan Agreement shall be deemed to have been terminated simultaneously and the Lender shall cooperate with the Target Company to release the mortgage over the Property; and
- III. the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser in accordance with the terms as set out in the paragraph headed "**Other arrangements prior to the Completion Date - Development of the Undeveloped Property**".

The basis of the liquidated damages in the amount of RMB 170,000,000 (equivalent to approximately HK\$188,445,000) was agreed after taking into account the direct and expected loss of income of the Parties arising from the termination of the Equity Transfer Agreement including, but not limited to, the Purchaser's financing and borrowing costs for the Consideration, the Purchaser's transaction related costs and fees, the cost arising from the rising price of real property similar to the Property.

*Non- Fundamental Breach*

In the event that a Party commits a breach of the Equity Transfer Agreement which does not constitute a Fundamental Breach, the defaulting Party shall take steps to remedy such breach(es) within a reasonable time and continue to fulfil its obligations under Equity Transfer Agreement. If the Vendor Parties fail to fulfil its obligations under the Equity Transfer Agreement, they shall pay interest to the Purchaser at rate of 0.02% per day during the period of default calculated based on the amount of Consideration paid by the Purchaser (including the Initial Payment) and the Loan. If the Purchaser Parties fail to fulfil its obligations under the Equity Transfer Agreement, they shall pay interest to the Vendor at rate of 0.02% per day for the period of default calculated based on the balances of the Consideration and the Loan which have yet been paid to the Vendor and the Target Company.

#### *Aggregate Liability*

In any event, the aggregate liability of the Parties under the Equity Transfer Agreement shall be limited to RMB 170,000,000 (equivalent to approximately HK\$188,445,000).

#### *Late Payment Penalty*

If a Party fails to fulfil the above payment obligations in the event of default within the specified period, the defaulting Party shall pay interest to the non-defaulting Party at a rate of 0.02% per day based on the amount of compensation to be paid in accordance with the Equity Transfer Agreement.

#### **Termination**

The Equity Transfer Agreement may be terminated before the Completion Date, among other things:

- (a) by mutual consent of the Parties;
- (b) if the Initial Payment Conditions are not fulfilled within 120 days of the date of the Equity Transfer Agreement, in which case:
  - (i) if the Company fails to obtain the approval of the Shareholders at the SGM for the delivery and performance by the Vendor and the Company of the Equity Transfer Agreement and the transactions contemplated therein or there is a restriction or prohibition under any applicable laws or relevant authority restraining or otherwise prohibiting consummation of the transactions contemplated in the Equity Transfer Agreement within 120 days of the date of the Equity Transfer Agreement and the Equity Transfer Agreement is terminated, the Vendor shall repay the Earnest Money, together with interest at a rate of 0.02% per day calculated based on the Earnest Money paid from the date of receipt of the Earnest Money until the repayment of the Earnest Money and pay the fees incurred by the Purchaser arising from the negotiation of the Equity Transfer Agreement;
  - (ii) if the other Initial Payment Conditions are not satisfied within 120 days of the date of the Equity Transfer Agreement and the Equity Transfer Agreement is terminated, the Vendor (if it is the defaulting Party) shall repay the Earnest Money and pay damages equivalent to the amount of the Earnest Money to the Purchaser; or

- (iii) if the Purchaser fails to fulfil its respective Initial Payment Conditions and the Parties fail to reach an agreement, the Vendor shall be entitled to forfeit the Earnest Money.
- (c) by the non-defaulting Party, in the event that a Party commits a Fundamental Breach, in which case, the non-defaulting Party shall be entitled to the remedies set out in the paragraph headed "**Fundamental Breach**";
- (d) by the Vendor, Target Company or Purchaser, if the Target Company is unable to satisfy the Completion Conditions and transfer the Sale Equity due to Force Majeure (in which case the Vendor shall repay the Consideration received back to the Purchaser together with interest at a rate of 6% per annum); or
- (e) if within 180 days after the Purchaser has paid the balance of the Consideration into the Escrow Account, the Parties are unable to fulfil the conditions set out in the paragraph above headed "**Completion**", the Equity Transfer Agreement shall terminate automatically.

Unless the Parties have initiated legal proceedings in respect of the termination of the Equity Transfer Agreement and without prejudice to the terms as set out in the paragraph headed "**Default**" above, in the event that the Equity Transfer Agreement is terminated other than a Fundamental Breach or the failure to fulfil the Initial Payment Conditions, the Parties shall fulfil the following obligations within 60 days of the date of termination of the Equity Transfer Agreement:

- (a) the Vendor shall repay the amount of Consideration paid by the Purchaser with interest (if any);
- (b) the Target Company shall repay the Loan with interest (if any);
- (c) within 5 Business Days of the repayment of the above amounts, the Lender shall cooperate with the Target Company to release the mortgage over the Property in accordance with the terms of the Loan Agreement;
- (d) the Target Company shall reasonably reimburse the relevant development and construction costs and expenses incurred by the Purchaser in accordance with the terms as set out in the paragraph headed "**Other arrangements prior to the Completion Date - Development of the Undeveloped Property**".

As this term seeks to put the respective Parties into the positions that were in if the Equity Transfer Agreement had not been entered into, the Directors consider that this is fair and reasonable because the Purchaser should be reimbursed the monies that it has paid to the Vendor Parties, including the Consideration, the Loan and the costs of developing the Undeveloped Property.

The Company shall act as the guarantor in respect of the Vendor and the Target Company's obligations under the Equity Transfer Agreement. Based on the unaudited financial statements of the Group as at 30 September 2019, the Group has a cash and cash equivalents balance of approximately HK\$206,743,000, which in the view of the Company, is sufficient to repay the Loan (in the event of termination of the Equity Transfer Agreement and the Loan Agreement).

The requirement to repay the Loan by the Target Company in the event of termination of the Equity Transfer Agreement (other than due to a Fundamental Breach by the Purchaser Parties as the Vendor shall have the right to set-off the liquidated damages due from the Purchaser against the repayment of the Consideration and Loan) could have a material adverse effect on financial position, working capital and operation of the Company.

## **THE LOAN AGREEMENT**

On 21 February 2020 (after trading hours), the Target Company and the Lender entered into the Loan Agreement pursuant to which the Lender will lend RMB 136,800,000 (equivalent to approximately HK\$151,643,000) to the Target Company. The delivery and performance of the Loan Agreement shall be subject to the approval of the Shareholders at the SGM.

Summarised below are the principal terms of the Loan Agreement:

**Date** 21 February 2020

**Parties** (1) The Target Company  
(2) The Lender  
(3) The Vendor  
(4) The Company

The Vendor and the Company shall act as the Target Company's guarantors in respect of the Target Company's obligations under the Loan Agreement. Such guarantee provided by the Vendor and the Company shall terminate upon Completion

**Loan Amount** RMB 136,800,000 (equivalent to approximately HK\$151,643,000)

**Term** 24 calendar months from the date of receipt of the Loan by the Target Company. If the Interim Period is extended pursuant to the Equity Transfer Agreement, the Maturity Date shall be extended accordingly until the Completion Date or 60 calendar days of the date of termination of the Loan Agreement (whichever is applicable).

**Repayment** The Loan is repayable on the Maturity Date. The Loan shall also be repaid within 60 calendar days of the date of termination of the Equity Transfer Agreement.

**Purpose** The Target Company shall have the right to determine the use of the Loan subject to applicable laws but shall ensure that a sufficient amount of the Loan shall be reserved for the purpose of fulfilling certain Completion Conditions. A breach of this terms shall constitute an event of default under the terms of the Loan Agreement.

<b>Security</b>	Within ten (10) days of receipt by the Target Company of the Loan, the Target Company will make an application to the relevant authority to mortgage the Property to the Lender.
<b>Drawdown</b>	The Loan amount may be drawn down between the date of signing of the Loan Agreement and the Equity Transfer Agreement and no later than five Business Days after the satisfaction of the Initial Payment Conditions. It is expected that the Loan will be drawn down after the satisfaction of the Initial Payment Conditions (including after the SGM).
<b>Interest</b>	The Loan shall be interest-free, save for in the event that the Equity Transfer Agreement is terminated in accordance with subparagraph (d) of the paragraph headed " <b>Termination</b> ". In this case the Target Company shall repay the Loan together with interest at a rate of 6% per annum.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated in Hong Kong and is principally engaged in the business of investment holding. The Purchaser is wholly-owned by the Purchaser's Guarantors, in equal shares.

## **INFORMATION ON THE COMPANY, THE VENDOR AND THE TARGET COMPANY**

The Company is an investment holding company. Its subsidiaries are principally engaged in the printing and manufacturing of packaging materials, labels and paper products, including environmentally friendly paper products.

The Vendor is a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the business of investment holding.

The Target Company is a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in the business of printing of packaging materials and production of paper products. Its assets include, among other things, the Property.

Set out below is the unaudited net profit (before and after taxation) of the Target Company for the twelve months ended 31 March 2018 and 31 March 2019 and the six months ended 30 September 2019 respectively:

	<b>For the twelve months ended 31 March 2018</b>	<b>For the twelve months ended 31 March 2019</b>	<b>For the six months ended 30 September 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) before taxation	9,246	(31,482)	318
Net profit/(loss) after taxation	7,642	(32,188)	63

As at 30 September 2019, the unaudited total asset value and net asset value of the Target Company was approximately HK\$150,644,000 and HK\$64,915,000.

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

The Group is principally engaged in the business of the printing and manufacturing of packaging materials, labels and paper products, including environmental friendly paper products and has factories and plants in the Guangdong region including Guangzhou, Shaoguan and Shenzhen.

Given the enhancements to transportation links in and the intended development of the Guangdong-Hong Kong-Macau Greater Bay Area, the Group intends to consolidate and streamline its business and resources in the Guangdong region by centralising its machinery and resources in order to enhance the efficiency of its manufacturing lines and, in particular, to expand the Group's manufacturing plants and factories in Shaoguan. During the Interim Period, the existing business operations of the Target Company will be transferred to the remaining Group and the Target Company will transfer or remove fixed assets of the Target Company on the Property to other factories belonging to the Group in the Guangdong Region and the Target Company's existing manufacturing lines and orders to the Group's other plants and factories.

Having considered the valuation of the Property, the current property market conditions in Shenzhen, and the increasing costs of and restrictions on manufacturing in Shenzhen, the Directors considers that the Proposed Disposal provides the Group with an opportune time to unlock the value of the Target Company and the Property, improve the cashflow of the Group as well as achieve its plans to consolidate and streamline its business in the Guangdong region.

The Target Company will use the Loan to pay off its debts and liabilities and to facilitate the transfer of assets of the Target Company back to the Group prior to the Completion. The Target Company does not intend to use the Loan other than for the purposes set out in this announcement. As part of the structure of the Proposed Disposal, it is intended that, subject to Completion having taken place, the Loan will not be repaid by the Target Company before Completion of the Proposed Disposal. Accordingly, the Loan will form part of the amount received by the Group for the Target Company to restructure its operations and to facilitate the Proposed Disposal.

As it is expected that the Target Company will be disposed of to the Purchaser free of assets and debts (except the Property and the Loan to be provided to the Target Company pursuant to the Loan Agreement), the Consideration in the amount of RMB 319,200,000 (equivalent to

approximately HK\$353,833,000) and the terms of payment were determined after arm's length negotiations between the Vendor and the Purchaser taking into account (1) the calculated amount of value of the Property (which includes the Undeveloped Property) as at 31 January 2020, under special assumptions and after deducting the land premium of RMB 289,379,763 (equivalent to approximately HK\$320,777,467), in the amount of approximately RMB 455,320,000 (equivalent to approximately HK\$504,722,000); and (2) the amount of the Loan in the amount of RMB 136,800,000 (equivalent to approximately HK\$151,643,000), which, subject to Completion having taken place, will remain as a liability of the Target Company at Completion. The purpose of the Loan is to fulfil certain Completion Conditions as stated in the section headed "**Interim Period and Completion Conditions**", and will accordingly be included as part of the consideration received by the Vendor. Accordingly, the Directors consider that the amount received by the Group for the Proposed Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Based on the valuation report prepared by the independent valuer, as at 31 January 2020, the market value of the Property (which includes the Undeveloped Property) in its existing state is approximately RMB 99,500,000.

Due to the nature of the buildings and structures of the Property (completed industrial buildings and structures) and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the market value of the Property has therefore been valued by cost approach with reference to its depreciated replacement cost.

As disclosed in this announcement, it is expected that the Target Company will make applications in respect of the Property under the Shenzhen Urban Renewal, however, the Target Company does not currently have definitive plans as to the nature of the change of land use rights of the property. Considering that the majority of the surrounding land parcels of several industrial projects had successfully changed their land use rights to industrial use (innovation industry) through the Shenzhen Urban Renewal, the Company is of the opinion that the land use rights of the Property is more likely and reasonable to be changed to industrial use (innovation industry) rather than residential or commercial use in the same way. The calculated value of the Property was calculated on the basis that the land use rights of the Property would be changed to industrial use (innovation industry) and it would be developed to an industrial project with a total plot ratio accountable gross floor area of approximately 128,690.85 square metres (based on the requirement to transfer 15% of the land to the local government as land reserve and a plot ratio of 6.0 which is the suggested plot ratio according to the regulations) with a land premium of approximately RMB 289,379,763 (equivalent to approximately HK\$320,777,467). The land premium for the Property in the approximate amount of RMB 289,379,763 (equivalent to approximately HK\$320,777,467) was determined in accordance with the calculation rules issued by the relevant local government authority in Shenzhen with reference to the market value of the Property, the gross floor area and stipulated correction factors before and after the change of land use respectively

For reference purpose only, on the basis that the Property will be developed to an industrial project and the land premium figure of approximately RMB 289,379,763 (equivalent to approximately HK\$320,777,467), the independent valuer is of the opinion that the calculated amount of value of the Property (which includes the Undeveloped Property) under special assumptions as at 31 January 2020 is approximately RMB 744,700,000 (equivalent to approximately HK\$825,500,000). The special assumptions are that:



- (a) The Property is on a clear and vacant site basis; and
- (b) All relevant title certificates have been obtained according to the proposed change of land use and planning parameters provided by the Target Company under the Shenzhen Urban Renewal.

For the purpose of calculating the calculated amount of value of the Property under the above special presumptions, the independent valuer adopted a comparison approach by making reference to comparable sales transactions (innovation industry use land parcels) as available in the market.

The terms of the Transaction Documents were determined after arm's length negotiations between the Parties and the Directors are of the view that the terms of the Transaction Documents (including the Consideration) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECT OF THE PROPOSED DISPOSAL**

The Proposed Disposal is expected to give rise to a non-recurring gain attributable to the Group of approximately HK\$317,379,000 with reference to the unaudited net asset value of the Target Company (adjusted by certain expected settlement or release of assets and liabilities as mentioned in the paragraph headed “**Interim Period and Completion Conditions**”) as at 30 September 2019 (subject to adjustment, exchange rate and audit, and before expenses and taxes attributable to the Proposed Disposal).

The exact amount of the gain on the Proposed Disposal to be recorded in the consolidated income statement of the Group is subject to adjustments as stated above and audit, and will be calculated based on the carrying value of the net assets of the Target Company as at the Completion net of any incidental expenses and taxes and therefore may be varied from the figures provided above.

### **USE OF PROCEEDS**

The cash proceeds from the Proposed Disposal, excluding the Loan amount, will amount to approximately HK\$353,833,000.

It is currently intended that the cash proceeds from the Proposed Disposal will be used as follows:

<b>Intended Use</b>	<b>Allocation of net proceeds</b>
The consolidation of the Group's manufacturing plants and factories in Shaoguan and the expansion of those manufacturing plants and factories	Approximately RMB 100,000,000 (equivalent to approximately HK\$110,850,000)
Payment of professional fees arising from the Proposed Disposal	Approximately RMB 4,822,000 (equivalent to approximately HK\$5,346,000)



<b>“Business Day(s)”</b>	a day other than Saturday, Sunday and any public holiday on which the commercial banks in the PRC and Hong Kong are generally opened for business
<b>“BVI”</b>	British Virgin Islands
<b>“Circular”</b>	the circular of the Company in respect of the Proposed Disposal
<b>“Company”</b>	Starlite Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 403)
<b>“Completion”</b>	completion of the transfer of the Sale Equity
<b>“Completion Conditions”</b>	the conditions to be satisfied (or waived) during the Interim Period and prior to the payment of the balance of the Consideration
<b>“Completion Conditions Satisfaction Date”</b>	the date on which all Completion Conditions has been satisfied (or waived)
<b>“Completion Date”</b>	the date on which Completion takes place
<b>“Consideration”</b>	the consideration in the aggregate amount of RMB 319,200,000 (equivalent to approximately HK\$353,833,000) to be paid by the Purchaser to the Vendor in respect of the Proposed Disposal
<b>“Constructed Properties”</b>	the properties constructed by the Purchaser on the Undeveloped Property
<b>“Construction Project”</b>	the construction project on the Undeveloped Property by the Purchaser during the Interim Period
<b>“Directors”</b>	the director(s) of the Company
<b>“Equity Transfer Agreement”</b>	the equity transfer agreement to be entered into between the Vendor, the Company, the Target Company, the Purchaser and the Purchaser’s Guarantors in respect of Proposed Disposal
<b>“Earnest Money”</b>	the earnest money in the amount of RMB 10,000,000 (equivalent to approximately HK\$11,085,000) payable by the Purchaser to the Vendor in accordance with the Equity Transfer Agreement
<b>“Escrow Account”</b>	the escrow account to be opened by the Vendor and Purchaser during the Interim Period for the receipt of the balance of the Consideration at Completion

<b>“Force Majeure”</b>	a force majeure event including, any disease or epidemic declared by a relevant government authority, emergency measures or restrictions declared by a relevant government authority, natural disasters, war, extraordinary precipitation, earthquakes, typhoons, floods, fires, landslides which have been declared by a relevant government authority
<b>“Fundamental Breach”</b>	a breach of the Equity Transfer Agreement by any Party to it which shall (i) deprive the non-breaching Party of substantially the whole benefit of the Equity Transfer Agreement; or (ii) will render the performance of the Equity Transfer Agreement futile or will be expected to be futile
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong Dollar(s), the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Third Party(ies)”</b>	person or company who/which are not connected with (within the meaning of the Listing Rules) and are independent of the directors, chief executive and substantial shareholders of the Group or any of their respective associates
<b>“Initial Payment”</b>	the initial payment of the Consideration in the amount of RMB 63,200,000 (equivalent to approximately HK\$70,057,000)
<b>“Initial Payment Conditions”</b>	the conditions to be satisfied (or waived) prior to the payment of the Initial Payment
<b>“Interim Period”</b>	the period of eighteen (18) months from the date of receipt of the Initial Payment and the Loan by the Vendor and the Target Company respectively, such period may be extended (i) by mutual agreement; or (ii) in the event of a Force Majeure event having occurred
<b>“Lender”</b>	Mr. Chan King
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“Loan”</b>	the interest-free loan in the amount of RMB 136,800,000 (equivalent to approximately HK\$151,643,000) to be provided by the Lender to the Target Company

<b>“Loan Agreement”</b>	the loan agreement to be entered into between the Target Company, the Vendor, the Company and the Lender in respect of the Loan
<b>“Maturity Date”</b>	the date on which the Loan is repayable which shall be 24 calendar months from the date of receipt of the Loan by the Target Company or such date as extended pursuant to the Loan Agreement
<b>“Parties”</b> and each a <b>“Party”</b>	the parties to the Equity Transfer Agreement
<b>“Property”</b>	the industrial factories and buildings and the plots of land owned by the Target Company and situated at Starlite Southern China Development Centre, Industrial District No. 2, Xi Xiang Subdistrict, Bao An Qu, Shenzhen, PRC, which includes the Undeveloped Property
<b>“Proposed Disposal”</b>	the proposed disposal of the Sale Equity by the Vendor to the Purchaser
<b>“Purchaser”</b>	Alps Enterprises Limited (峻嶺企業有限公司), a company incorporated in Hong Kong and is principally engaged in the business of investment holding. The Purchaser is wholly-owned by the Purchaser’s Guarantors, in equal shares
<b>“Purchaser’s Guarantors”</b>	Mr. Chan King and Ms. Wu Jingyi (the spouse of Mr. Chan King)
<b>“Purchaser Parties”</b>	the Purchaser and the Purchaser’s Guarantors
<b>“PRC”</b>	the Peoples’ Republic of China
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Sale Equity”</b>	the entire equity interest of the Target Company
<b>“SGM”</b>	the special general meeting of the Company
<b>“Shareholder(s)”</b>	the holder(s) of shares of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Target Company”</b>	Starlite Printers (Shenzhen) Co., Ltd (星光印刷(深圳)有限公司), a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company

“ <b>Transaction Documents</b> ”	the Equity Transfer Agreement and the Loan Agreement
“ <b>Undeveloped Property</b> ”	a parcel of land on the Property which is currently undeveloped
“ <b>Vendor</b> ”	Starlite Printers (China) Limited, a company incorporated in the BVI with limited liability and is an indirect wholly-owned subsidiary of the Company
“ <b>Vendor Parties</b> ”	the Vendor, the Target Company and the Company
“ <b>%</b> ”	per cent

*For the purpose of illustration only and unless otherwise stated, conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1 to HK\$1.1085. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this rate or any other rate.*

On behalf of the Board  
**Starlite Holdings Limited**  
**Lam Kwong Yu**  
*Chairman*

Hong Kong, 21 February 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Lam Kwong Yu, Mr. Tin Shing and Mr. Poon Kwok Ching, the non-executive directors are Ms. Yeung Chui, Mr. Tai Tzu Shi, Angus and Mr. Cheung Chi Shing, Charles, and the independent non-executive directors are Mr. Chan Yue Kwong, Michael, Mr. Kwok Lam-Kwong, Larry, SBS, JP and Mr. Tam King Ching, Kenny.*

*\* For identification purpose only*